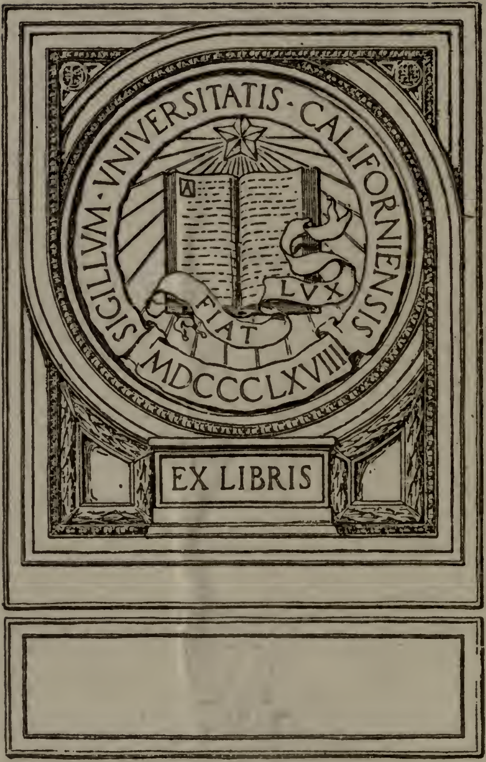
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Marketing and Farm Credits

A COLLECTION OF PAPERS READ AT
THE THIRD ANNUAL SESSIONS OF

The National Conference on Marketing and Farm Credits

IN JOINT PROGRAM WITH

The National Council of Farmers' Coöperative Associations

IN CHICAGO

AT THE HOTEL SHERMAN
NOVEMBER 29-30 AND DECEMBER 1-2
1915

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ON

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PRESIDING OFFICERS

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GENERAL MEETING—The Organization of Agricultural Coöperation, November 29, 8 p. m., Louis XVI Room.
Frank L. McVey, chairman, The National Conference on Marketing and Farm Credits; president, The University of North Dakota, Grand Forks, N. D.

GENERAL MEETING—The Standardization of Farm Products; November 30, 9:45 a. m., Louis XVI Room.
Kenyon L. Butterfield, president, The Massachusetts State College of Agriculture, Amherst, Mass.

Sectional Meeting—The Warehousing and Standardization of Farm Products, November 30, 2 p. m., Crystal Room.
Clarence Ousley, director, Department of Extension and Home Economics, The Agricultural and Mechanical College of Texas, College Station, Texas.

Sectional Meeting—Rural Credit Aids to Land Purchase, November 30, 2 p. m., Louis XVI Room.
John H. Worst, president, The North Dakota Agricultural College, Agricultural College, N. D.

GENERAL MEETING—The Organization of Agricultural Coöperation, November 30, 8 p. m., Louis XVI Room.
Frank L. McVey.

GENERAL MEETING—Rural Credit Aids to Land Purchase, December 1, 9:30 a. m., Louis XVI Room.
David Kinley, dean of the Graduate School, The University of Illinois, Urbana, Ill.

Sectional Meeting—Marketing the Farm Product, December 1, 1:30 p. m., Louis XVI Room.
B. H. Hibbard, professor of Rural Economics, College of Agriculture, The University of Wisconsin, Madison, Wis.

Sectional Meeting—Present Rural Credit Facilities in Aid of Land Purchase, December 1, 2 p. m., Crystal Room.
John Lee Coulter, dean, College of Agriculture and Director Experiment Station, The University of West Virginia, Morgantown, W. Va.

GENERAL MEETING—Financing Farm Business, December 2, 9:15 a. m., Louis XVI Room.
Frank L. McVey.

Sectional Meeting—Standardization and Marketing of Farm Products, December 2, 1:30 p. m., Louis XVI Room.
Herman W. Danforth, president, The National Council of Farmers' Coöperative Associations, Washington, Ill.

Sectional Meeting—Financing Farm Business, December 2, 1:30 p. m., Crystal Room.
James C. Caldwell, president, The First National Bank, Lakefield, Minn.

Sectional Meeting—Standardization and Marketing of Farm Products, December 2, 8 p. m., Louis XVI Room.
Millard R. Myers, editor, The American Coöperative Journal, Chicago, Ill.

BUSINESS MEETINGS—
Frank L. McVey.

GENERAL COMMITTEEMEN

The National Conference on Marketing and Farm Credits

Frank L. McVey, Grand Forks, N. D., chairman, president University of North Dakota.

Charles McCarthy, Madison, Wis., treasurer, chief Legislative Reference Library.

Millard R. Myers, Chicago, Ill., assistant treasurer, editor American Coöperative Journal.

Charles W. Holman, Madison, Wis., secretary National Conference on Marketing and Farm Credits.

C. A. Lyman, Rhinelander, Wis., assistant secretary (by appointment), chairman Legislative Committee, Wisconsin Society of Equity.

Frank P. Holland, Dallas, Texas, publisher Farm and Ranch and Holland's Magazine.

Henry Wallace, Des Moines, Iowa, publisher Wallace's Farmer.*

John Lee Coulter, Morgantown, W. Va., dean of State Agricultural College, director Agricultural Experiment Station.

Charles S. Barrett, Union City, Ga., president Farmers' Educational and Coöperative Union of America.

Gifford Pinchot, Milford, Pa.

L. D. H. Weld, New Haven, Conn., professor of business administration, Yale University.

Lou D. Sweet, Carbondale, Colo., potato farmer.

Herbert Quick, Berkeley Springs, W. Va., The Curtis Publications.

E. P. Harris, Montclair, N. J., president Montclair Coöperative Society.

E. M. Tousley, Minneapolis, Minn.

H. C. Sampson, Spokane, Wash., former secretary of the Northwestern Fruit Distributors.

Clarence Poe, Raleigh, N. C., president Progressive Farmer Pub. Co.

James C. Caldwell, Lakefield, Minn., president First National Bank of Lakefield, Farmer and Coöperator.

W. L. Ames, Oregon, Wis., president National Farmers' Congress.

H. J. Hughes, Minneapolis, Minn., editor Farm, Stock and Home.

H. J. Waters, Manhattan, Kans., pres. Kansas State Agricultural Col.

Clarence A. Shamel, St. Joseph, Mo., editor The Profitable Farmer.

H. E. Young, Chicago, member Executive Com. Ill., Farmers' Institutes.

L. S. Herron, Lincoln, Neb., editor Nebraska Farmer.

Frank E. Long, Chicago, Ill., publisher The Farmers' Review and the Stockman and Farmer of Pittsburgh, Pa.

E. T. Meredith, Des Moines, Iowa, publisher Successful Farming.

Thomas Cooper, Fargo, N. D., director N. D. Agr. Experiment Station.

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George W. Simon, Chicago, Ill., Western Agent The Jewish Agricultural and Industrial Aid Society.

H. W. Danforth, Washington, Ill., president National Council of Farmers' Coöperative Associations.

Arthur Capper, Topeka, Kans., president Capper Farm Journals, Governor of Kansas.

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* Deceased.

GENERAL AND STATE OFFICERS

The National Council of Farmers' Coöperative Associations

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W. J. Ray, Colo, Iowa, secretary Farmers' Grain Dealers' Association of Iowa.

J. W. Shorthill, York, Neb., secretary Farmers' Grain Dealers' Association of Nebraska.

A. N. Steinhart, Bloomington, Ill., secretary Farmers' Grain Dealers' Association of Illinois.

H. J. Farmer, Airlie, Minn., secretary Farmers' Grain Dealers' Association of Minnesota.

A. A. Lane, Sherwood, N. D., secretary Farmers' Grain Dealers' Association of North Dakota.

J. T. Belk, Henry, S. D., secretary Farmers' Grain Dealers' Association of South Dakota.

G. W. Lawrence, Larned, Kas., secretary Farmers' Grain Dealers' Association of Kansas.

To the Memory

of our faithful Committeeman and
Co-worker in the advancement
of American Agriculture

Henry Wallace

Born March 19, 1836
Died February 22, 1916

He was a brave pioneer who blazed a trail to
make easier the lot of the American farmer

FOREWORD

IN PRESENTING THIS VOLUME TO THE PUBLIC the committee believes that a new note has been sounded in the literature of agricultural economics. In the three years of its existence the National Conference on Marketing and Farm Credits has interpreted the changing thought of Agricultural America. That thought, in those three years, has progressed from the individualistic viewpoint to the social concept.

This volume, perhaps, more clearly than any other current contribution, voices the demand for coöperation among farmers in the sale of their produce and the purchase of their supplies, and advances the theory of state aid to farmers in the purchase of their farms. It was notable that the dominant thought of the last Conference centered on this need for the creation by the federal and state governments of a broad land policy. If the Conference discussions be any index of the public mind, the time is not far from us when America will grapple with the land question as a social issue, just as from the discussions of coöperation at this Conference, has sprung an agency whose purpose is the proper training of the American farmer for self-help in his business operations.

The committee regrets that it was not possible to print the discussions of the papers, but it has made arrangements whereby some of the discussions will be given to the public in the near future. It has been able to present in this book a few of the addresses delivered at the Second National Conference on Marketing and Farm Credits, as well as those that helped make the Third Conference and epoch marker in agrarian history.

UNIV. OF CALIFORNIA

MARKETING AND FARM CREDITS

The third National Conference on Marketing and Farm Credits was held in Chicago, Ill., November 29–30, and December 1–2, 1915, at the Hotel Sherman. The opening session began the evening of November 29 with Chairman Frank L. McVey presiding. At the roll call of states 42 were reported present at this session.

What, who and why was this Conference, and as there had been two prior conferences, why a third one?

The National Conference on Marketing and Farm Credits is an organization formed for the purpose of launching a movement to organize the agricultural interests of America for practical work. "Better Business, Better Farming and Better Living," is the slogan. Elimination of the waste in marketing which now constitutes one of the largest factors in the cost of living and which also constitutes one of the most discouraging features of farm life is a prime purpose.

To the men who are giving time and money to aid this movement, the term waste applies to every phase of production and distribution, from wasted effort on the farms, waste in the form of unmarketed products and waste resulting from inadequate banking accommodations for farm operators to the waste due to faulty packing and lack of standardization and the waste that occurs in transporting the products to market.

And to these men the organizing of the agricultural interests of the country means the building up of the machinery necessary to eliminate or reduce waste of every kind. However, they do not purpose to take a leap in the dark. The have the experience of many European countries to guide them. They believe that what Germany, England, Scotland and Ireland have done, America can do. They also believe that what these countries have found it necessary to do, America will find it necessary to do—if the farmers of this country are to be able to compete with the farmers of Europe!

European countries have organized their agriculture and all the activities incident to the handling of foodstuffs with dispatch and yet without waste, because the war has forced this step upon them. Making the food supply meet the demands, without calling upon the rest of the world for any considerable quantity of either necessaries or comforts, is a task to which German statesmen, economists and scientists have bent themselves with remarkable energy and amazing success. England, less dependent upon home production, was late to see the importance of this program, but by reason of circumstances has been forced to adopt similar measures.

Germany Has Mobilized Agriculture

Germany not only is utilizing every square foot of ground available for agriculture, but, through coöperative methods, is assembling and distributing agricultural products with economy and dispatch, not alone to the army but to the civilian population as well. Great Britain, after having permitted the decadence of this fundamental industry through a long period of years, now is rapidly regenerating the agriculture of Ireland, Scotland and England, largely through coöperative methods which by encouraging standardization of products makes economical and more convenient marketing possible.

The end of the present world war will find all Europe efficiently organized for the production and distribution of food stuffs. The stern necessities of the nations engaged in war gave a great impetus to this movement, and the success with which the governments have been able to make use of the coöperative societies in assembling products of the grade and quality required for the army has constituted a practical demonstration of the value of coöperation. The new methods, with their savings of effort and money and with their efficiency and conveniences, have come to stay. This efficiency acquired in time of war will remain when peace is restored.

The American farmer must be ready for this new order, else he will be at a disadvantage. With a few exceptions America has developed no marketing system worthy of the name. Agriculture is almost unorganized, and marketing is still on the old basis where waste exacts a tremendous toll.

To prepare the American farmer for the new order is the one great object of the National Conference on Marketing and Farm Credits.

The Conference of 1915 did more than discuss conditions. It considered how to do things more than what to do, and it discovered a way of doing them.

The leaders in this movement are economists, bankers and leading farmers representative of every section of the United States. Among them are presidents of state universities and agricultural colleges, leaders in agricultural societies and well-known students of various phases of the problem of production and distribution.

How to organize the agriculture of America was the great problem that came before the Conference this year. At the two previous conferences there was much discussion of what to do. At this, the third conference, attention was centered on how to do the things that all are agreed must be done.

And from the Conference sprang an organization movement with a national headquarters, employing a corps of experts to be at the service of affiliating organizations, and to form coöperative societies in communities that need the service.

ADDRESS OF WELCOME

Harry B. Miller

Prosecutor for the City of Chicago

First of all I desire to extend to the chairman and to the delegates to this most important Conference, the sincere regrets of his honor, the mayor, at not being able to be here in person tonight. Those of you that are acquainted with the business of the city of Chicago know that right at this moment he is presiding over a rather turbulent council, and this matter is of so much importance that he thought it was utterly impossible for him to leave to come here. He wishes me, however, to express to you his most hearty, sincere welcome to the City of Chicago, and his failure to appear here in person tonight will not in any way convey to you his lack of appreciation in your selecting the City of Chicago this time for your conference, or in his earnestness in extending to you this welcome on behalf of the citizens of the City of Chicago.

I said that we welcomed to the city this most important Conference, and I use those words "most important," realizing just exactly what they mean and what they convey. I think, ladies and gentlemen, that a conference or convention of this nature is second to none in importance to any body of men and women that could possibly meet in a convention hall for the purpose of transacting business. We of the City of Chicago, the mayor and the people of this great city, feel honored that you have selected the City of Chicago this year as the place for holding this important meeting.

Chicago is a great and honorable city. It is the marketing place for all commodities; it is the central city of the United States. Here it is that the farmers send their grain; here it is that the products of the soil throughout the entire western and northern and southern countries come from the farmers. Here it is where we manufacture and sell back to you the things that you need in getting the fruits from the ground and shipping them here, and I think it is very appropriate and very benefiting indeed that you have selected this great central market, the City of Chicago, as the place where you should deliberate over matters of the most importance to the people of this country.

I know very little of the business that will come before your convention. I never had the honor of living upon a farm, and I lack that great distinction of being born on a farm; but still I realize to a certain degree and to a certain extent, perhaps not so much as you ladies and gentlemen do, the importance of the farming interests of the United States. When we think that today the United States of America has a bumper crop, when I understand that the crop of 1915 exceeds that of any year for a number of years past, and then on the other hand see that the cost of living is so high, and that the people that consume this, the great consumers of the United States, with that great bountiful crop, are paying an exorbitant price for the necessities of life, this question, and I am sure it is a question which to a large extent will come before this convention, is one of the most vital questions of the day. You, ladies and gentlemen, who understand these things, have met here for the purpose of finding out why it is that this condition exists. And we are glad that you have come to this city, because we believe that here it is where you will find coöperation on the part of the officials and the citizens of this city. Here it is where you will find help on all sides to help you deliberate and solve these great problems which you will be confronted with during the course of your convention.

It is the desire of the mayor of this city and of the people of the City of Chicago, that your sojourn in our midst will be very pleasant to you, that the days you spend here may be a source of enjoyment, and may bring joy to you, and that the citizens of this city may treat you with such courtesy as it due you, so that when you leave the City of Chicago after your convention, that you will realize that you have the best wishes and best respects of the people of this city.

I was very gratified, Mr. Chairman, when you read the lists of states to find that, according to my figures, there are only 6 states so far in which there is no delegate in this meeting. I think this is a wonderful gathering. I think that the people of the United States, the real producers of the United States, are represented in this gathering tonight, and I am glad as I am sure every citizen is glad that the real producers of the country, the men and the women that really give to the city population the necessities of life, have thought enough of the consumers to get together in a convention and to come from the 4 corners of this great country, from places in many cases where it took you a day or more, and leaving your places of business and your homes for the one purpose, for the doing of what? Of devising ways and means whereby the great American public through your deliberations and through your considerations and solving of these great problems may get the greatest satisfaction and the greatest happiness out of life.

And we do indeed wish you God-speed in the great things that you will have before you in this convention. We know that what you do will only redound to the best interests and the benefit of the great public of this country. And therefore around your convention table in this convention hall, it is our sincere desire and wish that you may come to the conclusion, in a great many problems, which will bring the best results to the consumer of this country.

ORGANIZING AGRICULTURAL COÖPERATION

THE WORK OF THE 1915 MEETING

CHAIRMAN FRANK L. McVEY

President of the University of North Dakota

Every meeting makes a record of some kind, and it is the duty of the chairman to project the ideal of the meeting in a clarion note. If he is not in harmony with the general purpose of those who attend, he cannot expect to do more than make discordant sounds for the listening world. Sometimes the chairman is so latitudinarian in his viewpoint that he touches all the keys and stops with a resultant sound so vast in volume that no specific note rings out clearly above the noise. In my capacity as chairman of this Conference, I shall try to give evidence of such musical capacity that the note of the opening speech may clearly indicate the purpose of the Conference. That note to express it in one word is coöperation, but a coöperation with the definite purpose of securing results in the marketing of farm crops and financing of farm operations.

Agriculture and its needs are in the fore front of public discussion. While it does not exactly share a place with the news of the war upon the front pages of our dailies, yet it does find a prominent place on the next page. Stupendous figures are printed every now and then of its vast importance. We are told that of the wealth produced in a given year, agriculture was to be credited for $9,000,000,000. Another feature of importance of this great occupation is that 36 per cent of the population is engaged in it or is supported by it. Despite this vast showing, agriculture, taken as a whole in this country, has not prospered. Here and there are exceptions to this statement despite the many activities ties that work to energize it and place it on a higher plane of operation.

It is agreed that there must be changes and now it is pretty clear that the general features of these changes may be centered about three things: (1) better agriculture, (2) better markets and (3) better financing. The first of these, better agriculture, is fairly well taken care of through the work of the department of agriculture, in the activities of the many farming associations in the different states and by the training afforded in the schools and colleges of the country. But, it has been clearly shown that better agriculture depends upon an adequate system of finance. The fact of the matter is that the markets and the financing of agriculture remain about as they have been for the past quarter of a century. Improvements, of course, have taken place in the quicker transportation of products and in prompter financial service. Yet these have not touched the real problem. The farmer is still compelled to rely upon the market machinery, with which he has had little or nothing to do in the matter of its organization, to take the product to the consumer. Here and there standards of products have been worked out, but generally speaking, there are but few standards for the marketing of farm products. Disputes, misunderstandings and bad feeling naturally arise as a consequence. The problem of marketing, therefore not only includes the proper standardizing of the product and the placing of it in satisfactory carriers and containers, but it has to do with the transportation, the display in cities, the sale of the product and the accounting for moneys received as well. The railroads and terminal elevators have made advances in better handling facilities; but the system of display of products is inadequate and the farmer is constantly subjected to heavy charges of service for sale as the product moves on to the consumer.

Bridging the Gap Between Farmers and Consumers

Between the farmer and the consumer there is a great commercial and financial gap. In the mercantile world this gap between the producer and the consumer is being bridged rapidly by the establishment of the necessary machinery of branches and agents. But, the farmer is playing the game alone and finds it increasingly difficult to protect himself against his own ignorance and his isolation in the commercial world.

The great industrial organizations have learned that coöperation between their different parts are absolutely necessary to their success. Thus, the producers of iron ore are organized for the transportation, smelting, manufacture and sale of their product to the consumer. Many other industries have found it necessary to do the same thing. Necessarily, agriculture with its many individual producers, occupies a very different position, but the difference is not so great that the farmers cannot as a group profit by the lesson taught by the experience of these great industrial organizations. In foreign lands this has been done. One has but to point to the organization of agricultural activities in Denmark, Germany, France and Ireland to bring witness to the truth of this statement. It therefore is important that the farmer should come to a larger appreciation of the necessity of coöperation between the agricultural groups. Nor should political views be allowed to interfere in his attitude. It is not a qustion of socialism or individualism, of democracy or republicanism; it is a question of efficiency and social betterment.

Working Out a National Organization Policy

Accepting such lessons as have been taught in the old world, the time for serious consideration of the whole problem is at hand. Agricultural difficulties are so far-reaching in their social effects that they must be worked at in a new light. It is time for a great agricultural society on a national basis to study and formulate the principles for the expansion of the nation's greatest business. How can individual farmers work with their neighbors? How can neighborhood groups work with other groups of a similar character? The confusion of the present cannot continue. This necessity of mutual understanding is not simply one confined alone to the agricultural group, but it has a far wider application as shown in the experience of England and France in the present war. The organization of agricultural groups under coöperative systems would mean a more adequate and systematic supply of food products in times of distress. Such an organization, however, will have the good will of all so long as it deals in generalities about the existing situation. But so soon as it may agitate for changes in the economic methods of distribution it will have the hostility of some of the adherents of present methods. It, however, must be taken for granted that any change likely to modify situations will find obstacles in its path.

There is still a third element in this problem to be considered. "Financing the Farmer" has been discussed by everybody nearly everywhere. Many suggestions have been made as to methods, but only a few feeble steps have been taken. Without question, no great industry can progress unless it has an adequate system of finance. The commercial world long learned this and the farmer must come into a clearer appreciation of its meaning. As yet, no plan has been attempted and no details have been made clear. It is now time that both be done. It will, therefore, be seen that a great problem of vast extent and an enormous difficulty exists in the marketing and financing of agriculture.

What the First Conference Did

It was this vast problem that was in the minds of those who called the first National Conference on Marketing and Farm Credits. The first one was held in Chicago in April, 1913. The program was given over to the discussion of the general phases of marketing and financing of farm credits. It was the hope of those who called the Conference that by common council with each other, light might be thrown upon the ways of relieving some of the defects of the present methods of marketing farm products and financing farm business. The call for the Conference was generously accepted. The delegates were really laying a new trail in the economic woods of modern industry. In reality the purpose of the Conference was to bring about a readjustment of the farming population to harmonious relations with the industrial world.

The first program dealt with the various aids to agriculture. After emphasizing the wastes in distribution, the sessions discussed the existing types of organization and what they had done in their relation to markets and financing the farmer here and there. The last two sessions were given over to discussions of farm credit systems in vogue in different lands. Three years have passed since that meeting. It is difficult, however, to measure the work of that Conference. The inspiration given it by the chairman, Colonel Frank P. Holland of Texas, assisted materially in its success. The idea of the first Conference was kept alive by the secretary of the Conference, Mr. Charles W. Holman, Dr. Charles McCarthy of Madison, Wisconsin, the interested coöperation of the farm papers of the country, and many individuals scattered through the land. Freedom of speech was maintained throughout and it was clearly demonstrated that there was a great interest in an important national problem.

Coöperation Keynote of Second Conference

Almost exactly a year later the second Conference was called. Its keynote was "Coöperation and the Need of Careful Consideration of the Reports of the American Agricultural Commission," which was then presenting the result of its studies in Europe to Congress for consideration.

The outcome of this Conference was definite and clear in the recommendation that a third Conference be called, a survey be taken of the coöperative agencies and an exhibit of containers be organized as the concrete features of the Conference. It is unfortunate that 2 of these suggestions have not been carried out. The declaration of war in August, 1914, with its accompanying demoralizing of financial matters, together with the absence of the secretary in Europe, as a special investigator for the federal government in the spring of 1915, prevented the financing and staging of the exhibit. The survey that was to be undertaken was much more extensive than appeared at the time of the Conference. Moreover, the lack of funds and the removal of the chairman of the committee, Professor L. D. H. Weld, to New Haven interfered seriously with the plans.

Scope of 1915 Conference

The program of this year, however, is so much wider and extensive in its study of the situation, than in any previous year, that the disappointment and the failure to bring results in the two features just mentioned may be offset in its organization. The experience of the past 2 Conferences has much influenced its form and content. One of the things learned in the previous years was the extent and varied industrial conditions existing in the United States. It is a big country that we live in, and what is true or what is needed in one part is not necessarily true or necessarily needed in another part. Moreover, it has been learned that there are more than one general class of farmers interested in these problems. Trite as this statement may be, nevertheless most of the discussions of the past 10 years have taken it for granted that there was only one general class to be considered. Starting with these two simple propositions, the program has been built up. Thus, the two great topics of the meeting are "Standardization of Products" and "The Financing of Farm Business." The keynote is set in this, the first meeting, and then follow the three general meetings on "Standardization of Farm Products" and the other two upon "The Financing of Farm Business." This is not all. In the analysis of the problem, standardization of the great staples necessitates many methods just as the problems of finance must include the needs of the men with land, the tenant of good standing and the landless man.

Having thus set the discussion in the general meeting these topics are taken up specifically and in more detail in the section meetings, so as to emphasize the needs of the different parts of the country.

Reaching to the Heart of American Life

I cannot but assert that it is a great program that has been prepared for this Conference. It is full of real stuff that touches the problems of agriculture, and the Conference may well count itself fortunate in the many notable speakers who are present and in particular in the two distinguished gentlemen who have come far to give us the advantage of their wisdom and experience. In Sir Horace Plunkett, we have the enthusiasm of the leader of a great coöperative movement in Ireland, and Mr. David Lubin, the United States delegate to the International Institute of Agriculture at Rome, brings us the interest of a prophet and the experience of a wise man in the field of agricultural credit. Added to these are others from many parts of the land. Delegates, too, have come from many walks of life. All of these come in the spirit of helpfulness and determination to make this Conference successful in establishing a real beginning point in a New Agriculture. The union of the National Council of Farmers' Coöperative Associations with this Conference has added a new emphasis to the spirit of coöperation, which must be one of the great lessons of this meeting.

In the final analysis, no one is going to solve the farmer's problem for him. He must do that for himself. Nor will he solve the great problem of marketing and farm credits by his clannish attitude of class spirit. The problems are fundamentally economic and must be based upon sound principles of business and finance. Hence coöperation becomes the keynote, working as it does for results in the standardization of products, and in the hopes for a system of finance that will do for farm business what the banks have done for commercial enterprises.

The Beginning of a New Era

Looking back at the results of this Conference after the passage of a quarter of a century, I think it will be possible for those of us who are alive at that time to set it down as the beginning of new things. It will be more and more apparent as the 25 years grow to a close that we must rely upon the intelligence, wisdom and justice of men themselves to bring results in the New Agriculture. The honor guest of this evening can look back to the beginning of coöperation in the land of his fathers. He can see where the foundation was laid down and we in this meeting of

1915 will catch anew the spirit of coöperation when we clearly apprehend its importance to the welfare of the nation.

If all goes well, 25 years ought to see vast changes for the better. Agriculture financed on a business basis, marketing carried on to the advantage of bettering the producer and consummer, economic waste reduced materially and all men open to wider opportunity and better conditions of welfare. So begins the Conference of 1915. To it I welcome you. Over it hovers the angel of freedom of speech and through it permeates the blessed spirit of fairness, justice and wisdom.

THE NEXT STEP IN THE ORGANIZATION OF AGRICULTURE

The Rt. Hon. Sir Horace Plunkett, K. C. V. O.

Founder and President The Irish Agricultural Organization Society; Former Minister the Department of Agriculture and Technical Instruction for Ireland, Dublin, Ireland

The question upon which I have the honor to address you is one I have studied in its bearings upon your country and upon my own for six and thirty years. For the first 10 years of this period I was engaged in ranching and farming in Wyoming and Nebraska. I have continued to make an annual visit to those happy hunting grounds of my less serious days. During the quarter of a century which has since elapsed, my chief work—indeed my life's work—has been the organization of agriculture in the little island to which I belong, 4,000 miles away from the scene of your Conference. That work included 7 years during which I was the minister responsible for setting to work the Department of Agriculture and Technical Instruction of Ireland, in the creation of which I had some share. But it is as an organizer of voluntary effort among farmers that I gained most of the experience which justifies me in taking part in your deliberations.

How Urban Thought May Menace Country Life

This Irish-American experience induced me, an unhyphenated Irishman, to write in 1910 a series of articles for *The Outlook* which were subsequently enlarged into a little book and published under the title, The Rural Life Problem of the United States. To this work I venture to refer those who may care for a fuller statement of my opinions than is possible within the limits of this address. In it I traced the origin of the problem to the industrial revolution, which began at the end of the eighteenth century in England. There the idea grew that the political and economic strength of countries depended alike on industrial development at home and commercial expansion abroad. This economic theory, which was probably true at the time in England, on account of her insular position, spread throughout the English-speaking world, where it has ever since led to the decline, mostly in numbers but always in national position, of the agricultural populations and their industry.

The city had been developed to the neglect of the country and our civilization had thus become dangerously one-sided.

I argued that in the interests of national well-being, it was high time for steps to be taken to counteract the townward which in some respects is becoming a downward tendency. I sketched a scheme of rural reconstruction which was being worked out in Ireland, where the solution of the problem of rural backwardness was found to lie in the reorganization of the farmer's industry and business upon coöperative lines; and I described and recommended for adoption in the United States a new agency of social service, specially invented for the purpose in view, called the Agricultural Organization Society.

The proposal may have been premature, but, in the last 5 years, thought upon the rural problem in the United States has advanced rapidly. When I wrote, the conservation and country life policies of the second Roosevelt administration had given the first big impulse to the new agricultural thought. A good illustration of new interest in the farming industry was afforded by the appearance of rural credits as a prominent plank in the platform of the three parties in the presidential election of 1912. I am afraid it was a case of window-dressing, if I may use an old-country political metaphor. In the following year the American Agricultural Commission toured Europe in search of information on coöperative organization and rural credits. I may note in passing that they spent in Ireland the greater part of the time allotted to the British Isles, and their report shows that the agricultural organization movement there had made a considerable impression upon this very representative body of agricultural inquirers. But it is to the National Conference on Marketing and Farm Credits that I look to give large practical effect to a rapidly advancing movement of thought which is demanding a solution for the problem of rural life in the United States.

This estimate of the importance of the Conference is not an empty compliment in order to ingratiate myself with you. Your program (which in the form it has reached me was only provisional but will I presume be substantially adhered to) opens with a discussion of coöperative legislation. Then, after a description of the work before the Conference by its chairman, the discussion centers upon the organization of agriculture, it being left to me to suggest the next step to be taken in the furtherance of that object in America.

I take it, as an indication of what is expected of me, that the next speaker at the first meeting, Mr. Millard R. Myers, a well-known student and organizer of agricultural coöperation, is to review the successes and failures of the American movement. The three following days are to be occupied in discussing a wide range of practical subjects, every one of which appears to me, as an old student of and worker upon agricultural problems, to be of real importance. But similar programs (though, I admit, never, from my point of view, quite so comprehensive or well arranged) I have seen before, and in some cases, though not many, the practical conclusions arrived at have adumbrated a large advance in American agriculture. In no case have the practical results been commensurate with the excellent advice which has been given to farmers.

Hour Strikes for Reorganization of Agriculture

I, of course, stand for a complete reorganization of agriculture upon coöperative lines and in theory I do not find any dissent from this view of the farmer's chief need. Yet I doubt whether it would be possible to prove that one per cent of the agricultural business of the United States was transacted by genuinely coöperative associations of farmers. This fact does not discourage me in the least. The time was not ripe until now for the first big movement in the desired direction. We may find that the next step in the organization of agriculture, which to me is the first really effective step cannot yet be successfully taken, but personally I am quite sanguine, from what I have learned from my American friends who are working in the same field with me for rural progress, that, with the assembling of your third annual congress, the hour has struck.

My reason for this opinion is so largely a matter of instinct born of experience that even a much fuller argument in support of it than time would permit would be inadequate. I am profoundly convinced that the slow progress which has been made in bringing your agriculture into line with an urban civilization, which the great Republic of the West has achieved, is due to the tendency of all the English-speaking countries to apply urban principles and urban methods to rural conditions. I could illustrate my meaning by a survey of the organization of agriculture in the many parts of the United States where I know it by reading or personal observation. I find, in every kind of associated action by farmers, that, in most cases, the organization is on the recognized corporation plan. It is frequently called coöperative, but, even if some of the coöperative forms are observed, the spirit is lacking. In many cases, coöperative laws have been demanded and conceded but the bold Roman hand of the city lawyer is more evident than the horny hand of the tiller of the soil. Not long ago I was sent a copy of the Clayton Anti-Trust Act, Clause 6, which purported to give to coöperative associations of farmers immunity from the penalties inflicted upon ''combinations in restraint of trade''. The clause was so drafted that any coöperative organizer could have told the legal luminary responsible for its terms that it would be inoperative.

Misusing Term Coöperation

Then again, the use of the word ''coöperative'' in the United States—and here I am afraid the department of agriculture is not without blame—has gone a long way to substitute bogus for real coöperation. But these aspects of the question must not be treated by me or I shall be trespassing not only on your time but on the province of other better informed and more competent authorities who are to address you. The one point I desire to emphasize is that all the splendid work which is being done by farmers and for farmers to try and organize their industry so as to give it its proper place in the national economy must fail of its full purpose until coöperation—the vital principle of rural progress—is firmly established in the working lives of your rural communities. To all who have not labored in this field of social endeavor the difference between true and false coöperation seems fanciful, theoretical and unimportant. Those who have so worked will know that never could it be more truly said:

> **"Oh the little more and how much it is**
> **And the little less and what worlds away."**

What Was Done in Ireland

I have been asked—and the request is in harmony with the intensely practical character of your program—that I should base any constructive proposals I have to make upon actual experience gained in dealing with the rural life problem of Ireland. In this way I can undoubtedly make my best contribution to the thought of the Conference, but I must preface this part of my exposition with two observations.

The Irish movement is the creation not of what the world calls practical men but of idealists. In the affairs of life it is always coming home to us that ideas are the most practical things in the world, and it is sober fact that the principles of agricultural development which underlie this work in Ireland owe not only their theoretic acceptance but also their application to the farmer's industry to poets, writers of plays and students of philosophy and sociology as well as of economics. It needed these thinkers to see wherein the agricultural mind had failed to grasp its subordination to the mind of the city. It was these men who, desiring to render to the practical life of their country the services most needed in the circumstances of the time, discovered not only the fundamental principle of rural progress, which has now been embodied in a definite agricultural policy, but who also discovered a new working method and who designed a complete machinery for giving operative effect to that principle. And it is not only in the large grasp of situations and in the establishment of guiding principles that the men of vision come down to business. It was a poet and an artist who first impressed upon the Irish farmers that they were the most important of the nation's manufacturers and, as such, that they were entitled to buy everything that they required for their industry at wholesale prices just as he bought the brushes, paints and canvas required in his craft. This same man it was who first proclaimed that no nation could prosper which subordinated the interests of its producers to those of its distributors.

The second preliminary observation is important, though some of you may say it is superfluous. I think it well, however, to anticipate the objection that the agricultural conditions of Ireland and of the United States are so widely different that the practical experience, upon which I mainly rely for the definite constructive suggestions I have to make, is hardly relevant. I can only appeal to social workers to assent to the proposition that the widest difference between the physical, social and economic conditions only serves to emphasize the transcendent importance of the human factor. It may be sometimes hard for the social worker in the modern city to realize this truth: there is no fear of his forgetting it in the country.

Why the Irish Needed an Agricultural Program

Whatever may be thought of the efforts which have been made to develop the agricultural industry of Ireland, the neglect of it will, when the rural problem has been generally recognized and dealt with, be regarded as the classic instance of the bad consequences of the industrial revolution. The lack of coal and iron and the possession of considerable agricultural resources made it obvious that the prosperity of the country must depend upon a sound and progressive agricultural policy. That, at any rate, was the view of a body of rural social workers who, as far back as the year 1889, set themselves to attempt a complete reconstruction of the agricultural life of their country.

Ireland was then in the throes of an agrarian revolution similar to that which has taken place in almost every other European country. After a conflict extending over the lives of several generations it was becoming plain that the inevitable concession must be made. The farm lands would have to be transferred from the small body of largely alien owners to the large body of tenants who were mostly of the peasant class. At the present time this huge transaction, involving the use of British credit to an aggregate amount of a billion dollars, is about one-half completed, and so far as the tenure factor is concerned the agricultural problem of Ireland may be said to be solved wholly in principle and largely in practice.

We did not have to touch the question of tenure because it had been happily settled, but we had to fight against the generally accepted view that once farmers held their land upon satisfactory terms and conditions they could be very well left to look after their own business and needed no more external help, official or voluntary, than the manufacturers or traders of the towns. This view ignored the economic changes which were taking place, notably the development of rapid and cheap transportation. The opening of the world market, as the economists called the result of the ever widening competition between producers and manufacturers, brought it about that farmers had to depend for their comfort and prosperity, quite as much as those engaged in other business undertakings, upon a proper organization of their industry for production and marketing, as well as for the finances needed for both operations.

The Irish farmers had, therefore, to be organized for the advancement and protection of their interests. Defective as the old land system was, the estate gave a sort of corporate existence to the tenants and when there was a good landlord, or even a good agent, their business was fairly well done. The land purchase scheme of the British government, by buying out the landlord and treating each tenant individually as a debtor to the government for his land, abolished the only form of organization the farmers possessed. Hence, we had to think out a scheme for providing tens of thousands of small isolated farmers with some permanent form of organization which might in time lead to the establishment of the prosperous rural communities which should be the governing element in the Ireland of our dreams.

Working out the New Policy

You will see from this brief statement of the main facts that the government had swept away the agricultural economy of a country obviously depending for its prosperity on a well organized agriculture and we had to build upon the ground thus cleared a new scheme of rural life. After a study of agricultural development extending over the continent of Europe, we adopted a fundamental principle of rural progress which is the distinguishing mark of the Irish agricultural policy.

We held that if you would solve the rural problem you must approach it from three points of view. You must regard agriculture as an industry, as a business, and as a life. To the industry must be applied the teaching of modern science, and that is the work of government and of educational authorities. Into the business must be introduced the methods practised by those engaged in every other occupation, and far the most important of these methods is combination, whenever things can be done more efficiently or more economically collectively than individually. This, we hold, is the function of voluntary effort. It is work which cannot be done for the farmers, but must be done by them, and even the way in which they are to do it, of which I shall speak presently, cannot be taught to them by governmental agencies. Similarly, the life of rural communities must receive as much thought and care as are lavished on the analogous problems of city populations.

Unless these three things are done—unless the industry is made adequately productive, and the business is economically and efficiently transacted—unless, most important of all, life upon the farm is provided with the physical comforts, the social pleasures and the intellectual satisfaction, which are needed as a counter attraction to the lure of the modern city—neither the rural population nor the industry which feeds the nation will occupy the place which properly belongs to them in the national life.

Such is the broad principle of Irish agricultural policy, with its threefold aim. As I have said, the three lines of advance—which we may call the technical, the commercial and the social—must all be followed. The government must do all that is necessary to teach the farmer to farm. To that end we secured the creation and the adequate endowment of a suitable department. For the organization of the business—and this is the part of the work with which you are chiefly concerned and I am asked to deal—we invented the new agency of social service which we named the Agricultural Organization Society. The sole function of this institution is to teach farmers how to combine for business purposes. But this apparently simple task has to overcome the anti-agricultural tendency, the character of which I have sufficiently indicated. In the urbanisation of all thought the townsman is the business adviser of the farmer, but in one vital matter the advice of the town misleads the country. "Big Business" has enthroned capital as the dominant factor in production. About the only form of combination understood in your country is the capitalistic form. In the British Isles, as you know, the coöperative system had its origin. But at the time I am speaking of—25 year ago—coöperation had gone little beyond the elimination of middle profits in the purchase of the domestic requirements of industrial workers. The joint stock company plan, under which, as you know, all the profits and all the control of industries go to capital, held the field.

Why the Joint Stock Company Fails

Now the corporation or joint stock company form of combination is wholly unsuitable to farmers. When they combine their object is not to make out of the undertaking big profits for the capital invested, but merely to improve the conditions under which the participants conduct their own industry, the control of which they have no intention of giving up. For reasons you well understand—reasons both economic and social—they can combine successfully only under the coöperative system. But this system is necessarily somewhat more complicated than the capitalistic system, probably because it has to secure an equitable arrangement between a larger number of interests. Our farmers, of course, did not understand this and the available business advisers knew and preferred the joint stock plan. So did the lawyers, whose fees for organizing companies were generally out of all proportion to the trouble it cost them. For these reasons our newly invented organizing agency had to train field agents. These are called agricultural organizers and are virtually the agricultural counterparts of the efficiency experts who in recent years have become a very useful addition to commercial and industrial life in the United States.

So much for the principles and main working methods of our Irish movement. I now come to a very important question of procedure. Of the three reforms which, as I have said, have all to be undertaken before the rural problem can be solved, the first—and the one which is the foundation of the other two—is that which in other connections is more naturally placed second—the organization of business. Unless this order is observed the greater part of the work of the governmental and educational authorities in teaching farmers is wasted. Farmers will not invest more capital nor apply more thought and energy to production unless they are in a position to reap the full reward of the improvement in the quality and the increase in the quality of their product which is too often captured by the agencies of distribution. It is also a matter of administrative experience that by far the best local agency for governmental and educational bodies to work with among farmers is a voluntary association of the latter for mutual business advantage. Nor until you have got people to come together in the business of their lives and have shown them that it is for their benefit to do so is it easy to organize them for the higher purposes of social and intellectual advancement. This business bond, we find in Ireland, overcomes the difficulties of racial, religious and political antagonisms, and I am convinced that it is the only solution to the difficulties which have been experienced in organzing polyglot communities in some of your states.

Irish Rural Problem a Universal One

The rural problem, then, not of Ireland only, but of the English-speaking world, is to be solved by treating it comprehensively and giving precedence to a part of it which the whole trend of modern economic thought has emphasized in the cities but ignored in the country. The principle involved is, I think, correctly stated in our Irish formula, "Better farming, better business, better living," always remembering the working directions that you must begin with better business.

All this I know is somewhat theoretical, and purposely so because we are discussing principles worked out in Ireland, but applicable to the very different conditions of your country. To show you, however, that there is some practical achievement at the back of our theories it will interest you to know that at the present time there are in Ireland slightly over a thousand agricultural coöperative societies of various kinds, with an aggregate membership of a little more than 100,000, the vast majority of whom are of the small farmer or peasant class, and that they are doing an aggregate business of some $20,000,000. It would be safe to say that a very much larger volume of agricultural business is done in a manner far more favorable to the farmer than would otherwise be the case, on account of the example set and the competition established by coöperative effort.

I do not wish to exaggerate the importance of these results, but they cannot be fairly judged without taking into account adverse conditions under which they were achieved. In the first place, the trade opposition to any form of coöperation among farmers was far more powerful a quarter of a century ago than it is today. The agrarian conflict, with all the political and religious strife that accompanied it, had made the task of the missionaries of self-help peculiarly difficult. The chief opponents of coöperation, the small country traders, had immense political influence and practically controlled the political machine. Indeed, the political influence of Little Business in Ireland is, I should say, much greater than that of Big Business in your country. No body of men in their senses would in those days have devoted their time and energies to organizing Irish farmers had they had any less end in view than the building up of a new rural civilization for the country. Few of us will see the fruition of that hope, but we are all quite happy in the reflection that we have truly laid the foundation of an edifice of Irish prosperity which those who come after us will complete.

I come now, and you will say it is time I did, to the one definite constructive suggestion that I have to offer to the Conference. You would have been spared the long story of agricultural coöperation in Ireland were it not for this one reason. The time is ripe for the doing in America what we are now doing with some degree of success. That is to form a national organization movement to carry out the organization of agricultural coöperative societies.

THE FORM OF AGRICULTURAL COÖPERATION NEEDED IN AMERICA

MILLARD R. MYERS
Editor American Coöperative Journal

Before taking up the subject assigned, let me discuss for a few minutes the broader subject of "Community Coöperation." The farmer whose interests are particularly to be considered in this Conference is not a pauper or a beggar. Neither is he a millionaire, as the Chicago press so cordially pictured him to be a year ago. He has no ambition to manipulate government, to boss society or to receive charity at the hands of the state. He is independent and if given half a chance will contribute his full share to the prosperity of all.

We are perfectly willing to say that he is the backbone of the nation, but the nation is not made up wholly of backbone. The backbone carries the head above it and encases the delicate spinal cord and nervous system without which life would be stagnant and inactive. Man without a backbone would flatten to the dust and die, and the nation without agriculture would starve. We do not forget, however, that the heart pumps blood, that blood gives nourishment and that nourishment also is necessary to life. The brain directs the action of the body. The muscles respond to the call of the nerves. The feet walk, the eyes see, the ears hear and with many people the hands talk.

Just as the members are necessary to a happy, healthful, useful body, so all classes of the community contribute to make a happy prosperous state. Each has his place to fill and his function to perform.

So long as each does his duty and performs his function the human body and the body politic is well. When any member gets out of joint the body is sick. Too much food causes gas in the stomach. Too much gas on the stomach makes pressure on the heart. This causes dangerous palpitation. Too much pressure in the blood breaks down an artery in the brain and we have paralysis. Likewise too much money in the hands of a few causes light-headedness. Light-headed control of industry makes undue pressure on agriculture and labor. This causes dangerous palpitation in the markets and consequently results in strikes and other paralytic strokes.

The ideal for which we all seek of course is a condition in which the farmer will receive a fair profit upon his investment and upon his labor and produce enough food so that every one may live and that every one that eats from the farmers' granary will *give* a fair return for what he *gets.*

Under such circumstances we will have a better community life. The home, the school, the church and the warehouse are the four institutions through which the people in the community must work out their proper relation to each other. Most communities should create a better community center than they are now enjoying. Nothing is more generally true than the statement that "You cannot hate a man if you know him well enough."

What Is an Ideal Rural Neighborhood?

The ideal for a country community to my mind would be, one schoolhouse, one church, one store. These, properly organized would give the greatest efficiency and the greatest economy. In the city the units should be defined and intelligently worked out so that all necessary expense and waste should be eliminated.

A great many neighborhood feuds and jealousies are created and fostered and kept alive because different nationalities are not forced to mingle and mix through their institutions so as to become acquainted with each other. In this suggestion we must make an exception of the colored race in the South. The churches designed for the salvation of man are a source of continual jealousies and differences in many communities. We need fewer churches and better ones. To my mind the less competition we have in the schools the greater the peace of the community. The less competition we have in the church the better for all of us. The less competition we have in trade the greater efficiency, the less expense and waste.

We need the consolidated school and the consolidated church. We need the coöperative method in trade. The commercial club formerly designed for the benefit of the merchants in town should extend its membership so as to include not only the business interests of the small town but the citizen of the entire community. Its membership should consist of the preacher, teacher, lawyer, the butcher and the farmer. Through its proper organization there should be several community days each year in which the people in the town will close the stores, those on the farms will take a holiday and they will spend a day together in fellowship, neighborliness and friendly discussion of the topics which are of interest to every one. In some such plan as outlined above all the different factors in the community should be brought together locally and the most cordial and friendly relationship should exist between their state and national organizations.

Importance of True Community Spirit

Mr. Rockefeller may not make a handsome appearance dancing with the wives and daughters of the miners in Colorado, but that act typifies a community spirit that must be fostered if future generations are to be happy.

The farmer as well as all other classes of citizenship must realize that we are all so far removed from the savage that our relations are absolutely dependent and not independent. Each class of society, or each line of trade, if you please, must contribute to the other and be satisfied with a fair return for service rendered. Each must coöperate with the other in working out the proper community interest.

Now to address myself directly to the subject assigned, "The Kind of Agricultural Coöperation Needed in America," let us divide the subject into two heads: First, the trading body; second, the educational and propaganda body.

The farmers have tried to engage in business on a partnership basis. They have tried voluntary societies. They have tried a great many different plans, but none of them has achieved any importance either in point of turnover or in permanence of existence without some kind of corporate organization and the investment of money. The county agent may occasionally negotiate for several carloads of fertilizer and may sometimes find a buyer for pure-bred horses, but he will be obliged to depend upon some regular channel of trade for any permanent development. The country club may occasionally ship in a car load of potatoes or coal which will be unloaded from the car to the farmers' wagons, but the saving will be of little value in any broad consideration of the marketing question.

There is only one way for the farmer to engage in business and that is to invest enough money to build the warehouse, which he needs and to equip it with scales and other necessary conveniences. This point needs no further argument.

With the possible exception of mutual insurance livestock shipping associations and the personal loaning societies, every effort at coöperation must aim to have volume large enough to employ the continual daily service of at least one able manager. Indeed, it is the opinion of the writer that a farmers' society is far from measuring up to its opportunities in the community if it does not develop a trade sufficiently strong to enable it to employ a manager, a bookkeeper and in most instances from one to three other people all of the time.

Regardless of the form of organization, farmers have learned that a retail society cannot do business at wholesale prices and succeed. It costs money to do the business and a necessary margin must be taken on the merchandise handled to cover the interest on the investment and the expense of handling.

Need of Business in Farmers' Societies.

Farmers' organizations the same as any other organizations must run on business principles and take a margin large enough to guarantee success. I estimate that at least 50 per cent of all efforts at coöperation among farmers in their grain elevators, creameries, banks and stores undertaken during the past 15 years, have used the ordinary corporation form of organization. They have capitalized from $5,000 to $75,000, have placed the par value of shares at from $10 to $100 each and have sold the stock to the farmers in the community. In many cases they have taken in the people of the town including the bankers and merchants. Many of the farmers who were large producers at the time the societies were organized are now retired and have no grain or other farm produce to sell.

Most of the companies, at least during the past 10 years, have made a financial success, thousands of them have accumulated good surplus and are in a prosperous condition. I for one am convinced that it is possible for the farmers to organize in the same way that all other business is organized and make a commercial success of the undertaking.

As final evidence in this argument I refer you to the Farmers' Grain Company at Syracuse, Nebraska, which has been successfully conducted on this plan for a quarter of a century. The present manager has kept the position of manager for 22 years. This illustration can readily be multiplied by hundreds of successful companies in the grain belt that are organized on the ordinary corporation plan and that have made a success of their business.

They have been able to meet competition; have forced the business to be handled on a close margin and have paid satisfactory dividends to the stockholders on the investment.

Please note that I say "these companies have made a success financially of their undertaking." I desire now to call attention to the weaknesses which show up in time in the majority of these companies. The strong tendency of all farmers is to get away from the fundamental purpose of their organizations, namely, *to make a market.* If they are very successful for a few years, they begin to accumulate a good surplus. The stock becomes an attractive investment from a dividend paying standpoint. The speculators buy it. By speculators I mean retired farmers, bankers and other community interests. Most societies have tried to protect against this in so far as possible by placing in the by-laws a limitation upon the number of shares that any person may own. As you all know some communities are blessed with large families and by the time the grandfather and grandmother, the father and mother, all the children and grandchildren, uncles, aunts and cousins get the limit of shares you find large holdings in one family. The tendency to centralize ownership and control is almost too strong to be withstood.

Whether this occurs or not just in this manner the large surplus is looked upon by the renter as having been brought about by an unjust profit. The competitor naturally argues that the farmers' company is taking as wide a margin as he is and points to the surplus to prove it. The result most naturally follows that the renter concludes that there is no difference between the farmers' company and any other company; that both are out for the profit they can make, and that it is up to him to sell his grain or other product in the best market he can find. As a consequence the farmers' coöperative company has little or no advantage in its effort to secure trade from the farmer.

The population of an agricultural community almost completely changes every 10 years. The active producer of today retires or moves away and the new farmers look neither backwards or forwards; and thus the farmers' corporation, (so-called coöperative society,) stands to him and thus to the whole community as a business enterprise run for profit and has no very decided advantage over the independent dealer or the line house operator. Meanwhile the stockholders are looking anxiously for large returns on their investment. They are perfectly willing to accept 100 per cent dividends if the company can afford to pay it. They take pride in knowing that their original investment of $50 is worth $100, and this tendency growing stronger and stronger changes the purpose of the corporation from that of *making a market for the farmers of the community* to that of making a margin for its owner.

Corporation Weak in Teamwork

The second weakness of a corporation is its absolute independence of all other organizations. Its owners say "We are making a success of this business here, let other men in other towns do the same." The coöperative spirit which should exist between different bodies of farmers operating to the same end is lost sight of. The managers and directors and the entire body of stockholders have a tendency to ignore all kinds of coöperative education. They feel that they are so well entrenched that they do not care for it themselves and they are just normally and naturally a business institution. The directors are afraid to take the interest they should take in a larger work for fear they will be criticised by the stockholders.

It is needless to say that this attitude on the part of the individual society will greatly retard if not completely prevent any larger federation of the so-called farmers' coöperative societies.

These weaknesses of the joint stock method of organization are so vital in their working that they practically destroy the fundamental purpose of the organization and are therefore considered by the writer as wholly inadequate.

We have said farmers' organizations must invest money, they must build and equip warehouses suitable to the business engaged in. They must employ a manager and develop a volume of business sufficiently large to pay a good man well.

The corporation fails in the test of years to make a market. The partnership is thrown out without consideration chiefly because it involves the feature of unlimited liability. The farmers are not willing to become responsible personally for the debts of the society. This brings us to a consideration of the coöperative system of organization.

Rochdale System Good for American Farmers

After years of careful study and observation both in Europe and America I am convinced that the Rochdale system of coöperation is best for American agriculture. In fact it is so well adapted to our needs that it fills every possible emergency. It is not only beautiful when considered by idealists but it is intensely practical when considered by business men. The average agricultural business organization consists of from 100 to 150 farmers. While we will concede that it is better where possible to have these organizations composed entirely of producers I see no objection to allowing retired farmer or the friendly business man to own shares in a coöperative society.

Under the Rochdale system each man will have one vote regardless of the number of shares he owns. This qualification guarantees the society against the control and manipulation of capital. So long as there are 3 members in the society and 2 of them are producers they will control the society even though each of them has but one share and the speculator has 98 shares. For this reason there is no desire on the part of a manipulator to get control of a coöperative organization.

The second provision is that only a fair legal rate of interest shall be paid on the capital invested. This is usually limited to 8 per cent or less, and in some states the limit is 10 per cent. This second qualification prevents the centralization of the shares. There is no very great incentive to purchase shares of stock that do not carry a vote with them and on which you cannot receive more than the legal interest rate in the form of cash returns.

Third: After a surplus which will guarantee sufficient working capital has been secured all other earnings are prorated to the members on a basis of their sales to the society or purchase from it. This division is usually made once a year inasmuch as in most business enterprises it is not convenient to take an inventory and determine the earnings oftener than once a year. In the creamery the same result is obtained by settling for the cream once or twice a month after paying all necessary operating expenses. The result of this trade dividend is the wiping out of all unnecessary surplus and of giving to the persons who furnish the trade on which the profit was earned the full benefits of his trading.

What a Kansas Society Did For Itself

To make the value of this method clearer I tell the case of the Farmers' Grain Co. at Ensign, Kas., during the year which closed January 1st, 1915. The company made a profit of over $22,000. They consigned a large volume of wheat south. By the time it reached Galveston it had jumped several cents per bushel and the earning was very large. When the year was up the company paid interest on the money invested and then paid each stockholder an additional 5½ cents per bushel on his grain. In a properly organized coöperative society the shares are small enough that there is no renter within reach of the company who is not able to buy at least one share of stock and become a shareholder. This guarantees to him that his company will pay him all his produce is worth on the market, will operate economically and efficiently and at the end of the year will pay him an additional premium, providing the company has any surplus to divide.

The tendency of this form of organization is to extend its membership to every possible customer. The benefit is so attractive that every man who can possibly do so wants to become a member. The plan is so equitable and fair that it appeals to every fair-minded person. The competitor finds no vulnerable point of attack. It is manifestly fair to the investor because he gets interest on his money. It is fair to every member because he has as much of a voice in its management as any other member. It is fair to its patrons because each patron may become a share holder and thereby be guaranteed that his product will be sold in the best market of the world and that he will receive the highest market price for it after the necessary operating expenses have been deducted.

The plan is democratic and the method is of the highest type of business practicability. Under this plan the patrons will not object if the society takes a sufficiently wide margin to guarantee it against loss. If the market is precarious and the manager finds it necessary to exact a little more toll to insure the society against loss, the customer either will hold for a little later market or he will willingly accept the rule of the management because he knows that if the society makes a handsome profit on the business of the year it will come back to him as a dividend on his trade. Where the company is carefully managed it will be the rarest exception for it to be necessary to make up a loss.

Should it be necessary to make up a loss for a society that is managed on the Rochdale system, it would need to be made up in about the same way that it is made up when the loss is sustained by a corporation or any other form of business enterprise. It may be done by assessment but more than likely it will be necessary to reorganize or at least canvass the membership and ask them to subscribe additional funds.

The Rochdale plan provides that a small portion of the earnings be set aside for educational purposes. The law under which most of the societies both at home and abroad operate allows a proportion of the funds of the local society to be invested in a wholesale society. This is also provided in the by-laws of each local organization. This enables the coöperatives to spread out and occupy in a competitive way the field in which they operate.

Local Units a Necessity of Success

Ths brings up the important question of expense. I have little use for the many efforts at coöperative organization so common in this country where the individual farmer invests money in a manufacturing plant or a packing house or a wholesale society of any kind located far away. In most instances he cannot be a patron of the enterprise himself and the ordinary coöperative benefits can never accrue to him.

The single individual investor is too small a unit to be joined together at a long range successfully. Coöperation is essentially a home-grown plant. The farmers can coöperate with each other in shipping their livestock, butter, eggs, hay or grain. They can coöperate in forming a local society which will sell them the bulk of the farm supplies. They may occasionally here and there coöperate in organizing a general store but in this day of mail order competition and department store competition, this is a special proposition which the farmers are not able to handle successfully. But in lines which they use in bulk and understand thoroughly they are successful.

After the local society is organized on the Rochdale plan and becomes a successful unit it is then an easy matter for these community units to federate with similar coöperative organizations in the same state or even in other states for forming a wholesale society.

The investment in this case should be limited as also the voting strength should be limited so that the control would remain with the local societies.

A body of stockholders considering an investment of a thousand dollars in a wholesale society or even a board of directors considering it would be able to analyze it carefully and thoroughly and even would be much more likely to succeed than the ordinary coöperative effort which is promoted by a few men who may be idealists or theorists without practical business training, or even dishonest stock jobbers.

Under the Rochlale plan in the old country the wholesale society receives large sums of money called "loan capital," pays a low rate of interest for it and loans it conservatively on good security. A loan which illustrates the strength of the coöperative wholesale society of Scotland was that made to the city of Glascow of $2,500,000 at the time the city purchased the street railway system.

It is not a matter of securing money with them, for the reason that they are old and thoroughly reliable. The people have greater confidence in their stabiilty than they have in private enterprises or even banks, and are more than likely to leave their money where it will bring 3 or 4 per cent interest and at the same time be working for their benefit.

Wholesale societies have invested immense sums in manufacturing enterprises, such as flour mills, bake shops, shoe factories, pickling works, tea plantations, etc. In time the coöperative movement among the agriculturists of this country will no doubt develop to the same extent.

The Educational and Propaganda Department

There are 4 sources from which education and propaganda may come. The government, general publicity, outside coöperative influences and the farmers themselves.

There are those who believe that our state government, or even our federal government through their office of markets, have a constitutional right to organize coöperative societies. If this view is correct I have no doubt but what the country could be greatly benefited through this branch of our government. However, personally I doubt the constitutionality of such work by the office of markets or even by the marketing department of state government.

The man who has spent 25 years in building up a store, creamery or elevator feels that he is rendering a valuable service to the community, that he pays his proportion of taxes, is a good citizen and is entitled to the same protection that society renders to other citizens. He does not feel especially patriotic when told the government is sending a couple of promoters in his community to raise money to establish a coöperative society, the mission of which is to put him out of business. He would feel that he would be entirely justified in dodging his taxes if they were to be used against him in this way. I am not very enthusiastic for such aid at any time.

Limitations of Government Aid

No doubt the farmers in Arkansas are victims of a bad trading system. Many well informed southern gentlemen contend that the tiller of the soil himself is hopelessly lost unless the government assist him in his need of credit and the proper selling and buying facilities.

I am not going to argue this point but I am going to state that the class of society that must be aided by government money will be a long time in developing the spirit of independence and self-reliance that is necessary for any man to have to achieve success. Only in the most extreme cases, therefore, would government aid be justified.

The government is entirely within its rights in making a thorough investigation of marketing systems and publishing bulletins showing exactly what is being done by coöperation. In this way they are disseminating a great deal of valuable information wholly within the province of the government.

The coöperative movement, especially among the farmers, is receiving a lot of general publicity free today. The farm press, even the daily paper, is giving editorial space to the subject. This serves to acquaint the general public with the proposition, but of course no papers of importance outside of those directly engaged in organization work are advocating any particular propaganda. While this general publicity is valuable it is of rather secondary importance. The examination of our American movement will show few exceptions to the above rule.

The American Society of Equity, which has stood about as much punishment by its friends as any farmers' society in the history of the republic, is an example. It was started by a publisher at Indianapolis, Ind. Its purpose in the beginning was primarily to get subscriptions to his paper. In an almost increditably short time the promoters succeeded in spreading the sentiment from Dakota to Kansas and uniting more or less closely around their publication several hundred thousand farmers. The farmers were told to hold their wheat for $1 a bushel, their tobacco for so much a pound, likewise their beans and other products. It was fully intended, according to the literature which was sent out, that the law of supply and demand should become inoperative, that the farmer could hold his wheat and dish it out to a hungry public whenever it was willing to pay him $1 but not before.

This was a beautiful theory and it is not strange that it appealed to the large body of farmers who were selling wheat for less than the cost of production. To any one familiar with conditions in Australia, Siberia and the rest of the wheat-growing countries it is not any great surprise to learn that the society failed to control the price of wheat. They did not fail, however, in getting enough support to the central organization, which was collecting dues from each member, to make it very successful.

Then came the struggle between the actual farmers who made up the organization and the outside coöperating influence which had established it.

At their annual meeting at Indianapolis certain new leaders proposed to buy the farm paper and to employ the president at a nominal salary or get a new one at less money. The convention split on the proposition. The publishers offered to take $75,000 for the publication and the president to accept a salary of $5,000 a year. This was considered an unreasonable demand and a fight followed. The farmers who made the fight secured the control of the society all right but were obliged to fight in the courts several slander suits with the result that they lost a lot of money for themselves and for their society and eventually gave it up altogether and went into other occupations.

The publisher kept his paper and started another society called The Farmers' Society of Equity. This society still exists and as we understand it is promoted and controlled by the publisher but has never assumed the strength nor the proportions of the original effort.

The American Society of Equity has continued on its way practically without strength excepting in North Dakota, Wisconsin and Kentucky. The farmers are in control within these states and apparently have enough power to carry on their educational propaganda work successfully. At the present time their educational institution located at Madison, Wis., receives enough money in dues to publish a respectable newspaper and to carry on a certain amount of organization work. They also contribute to the national organization.

The society in North Dakota has also continued to support its state organization and to contribute something to the national organization. During the past 3 or 4 years they have engaged in the promotion of several coöperative packing plants and a terminal grain exchange. To date none of these enterprises are really successful. They are directly under the control of the farmers who own them and the propaganda bodies which have created them were at one time at least farmers. Some of them are now rather to be classed as professional promoters than farmers.

Time forbids taking up efforts by the farmers promoting societies. Mr. Slocum of the Gleaners is here as is also Mr. Tousley of the Right Relationship League. These men will no doubt tell us at some stage of the convention the form of organization needed for coöperative promotion. Representatives are here of practically all other propaganda bodies, and we will have the opportunity of knowing their experiences.

Outside Influences and the Grain Farmers

I refer briefly now to the farmers' grain dealers movement with which I am most intimately associated. This movement was started by the farmers themselves, but was really fostered in every step of its development by outside influences.

The outside influences were the grain commission merchants in the terminal markets. When the farmers first began to organize elevators, the line house and independent shippers of grain were very well organized and most receivers could not afford for that reason to accept consignments from farmers' companies. A few commission merchants, however, could make a living out of the scattering shipments from the farmers' houses. These men were interested in every new farmers' company that was organized because it increased their volume of business. Accordingly they sent organizers into the field who made addresses and assisted in every reasonable way in perfecting farmers' organizations.

The Americn Coöperative Journal was organized very early in the history of this movement. It was published in the interests of coöperation in grain and owned by three men. From these 2 outside coöperative sources the farmers' elevator movement in the early days received a great deal of assistance. In fact when there were but 17 companies in the state of Illinois they were called together upon the initiative of a commission merchant and organized the Farmers' Grain Dealers' Association of Illinois. The next year the same kind of an organization was formed in Iowa and later on in the other states.

These associations have grown stronger from year to year.

As the volume of business has increased, other commission merchants came forward to solicit the business and to render assistance to the farmers' companies. Today the entire terminal grain trade is seeking this business and their solicitors travel the territory closely and they continue to render valuable assistance to the farmers' companies.

Grain Growers Control Journal

Four years ago the various state associations purchased the American Coöperative Journal, put it under the control of trustees and are operating it in connection with their business. They raise a sufficient amount of money in the 7 organized states to employ a state secretary. They employ him on full time at a decent salary in Illinois, Iowa and Nebraska. They also have given him an equipped office in each of these states with such stenographic assistance as is necessary.

The other organized states, namely, North and South Dakota, Minnesota and Kansas employ a secretary only part time.

The state associations are engaged in educational work. They also assist in organizing new companies. Likewise the American Coöperative Journal sends out organizers and is devoted to education propaganda in all the states. Each company is sovereign and it is under no obligation to any other company, to the state association or to the American Coöperative Journal. Individual members pay no dues. Companies pay $20 a year and may drop out at any time when their dues are fully paid.

The board of directors of each state elect 2 members annually to make up the national council. The national council, therefore, consists of 14 members—2 from each of the 7 organized states. Its by-laws are liberal and its intention is to accept representation from all state organizations that desire to work with them. To date their work has been chiefly legislative.

This form of organization has been criticized by some organizers as a rope of sand. There are those who feel that there must be a centralized effort and the power of assessment in order to get money that is needed, etc. We have not found it so in this organization and to my mind, we are rapidly approaching the time when these organizations will have all the funds needed to do all the educational and propaganda work that they find necessary.

If I were to state the kind of agricultural coöperation needed in America from the standpoint of the propaganda body I would say that the Farmers' Grain Dealers' Association comes nearer to it than anything else we have. Coöperation is not something that can be forced upon the people. It is the people's movement and the success will depend practically all together upon the sentiment of the public regarding it.

Our companies are succeeding and our movement is succeeding because they are rendering a service that is necessary. We are purely democratic and carry on all of our work in a business way. We are somewhat lacking in working funds but this is due more largely to a lack of general machinery with which to do a larger work than anything else.

Our leaders have the confidence of our people and will be able to secure the funds with which to carry on any work that they can show is practical and worthy.

THE COÖPERATIVE SOCIETY IN WISCONSIN

CHARLES A. LYMAN

Chairman Legislative Committee Wisconsin Society of Equity.

What the merchants' and manufacturers' association, the retail lumber and hardware dealers' associations, the bankers' association and the federation of labor are to their members the Wisconsin agricultural coöperative societies, federated into the Wisconsin Society of Equity, are to their constituents. The following is a partial list of accomplishments directly traceable to its influence:

1. A state-owned and operated binder twine plant at the state's prison at Waupun. This cost $650,000, but so lowered

the price of twine that the saving already to the farmers of Wisconsin would probably pay for the cost of construction.

2. The coöperative law, created in 1911, which at that time was considered to be the best in the United States.

3. The State Board of Public Affairs, created also in 1911, which has aided in the auditing of the accounts of coöperative societies, helped in the formation of local activities of a coöperative nature, educated the public as regards standard grades, packs, brands and trademarks, investigated the cheddar cheese situation and aided in the formation of the Sheboygan County Cheese Producers' Federation. A recent change of state administration has resulted unfortunately in a serious curtailment of the work along the lines mentioned.

4. The department of rural economics in 1911 and the department of coöperation and marketing in 1913 at the college of agriculture of the University of Wisconsin.

A movement that could make so creditable a showing from a coöperator's standpoint, could not do so without a strong central organization. At Madison, the state headquarters, we have a secretary who has an office with modern appointments, stenographers, and everything in proper shape to carry on the work. He is also the editor of our state paper called The Equity News. There is a business department also, that in the 11 months past has handled $1,200,000 worth of business for Equity associations and other coöperative societies. This department has been in existence less than 2 years and does not include the business activities of the Sheboygan County Cheese Federation, the Door County Fruit Association nor the other large fruit selling concerns in the state; but has taken in simply the Equity and a few Grange people who are selling their livestock, potatoes and hay coöperatively, and who are buying their agricultural requirements through their purchasing agent.

Policy as to Joint Purchasing

The official policy of the Society of Equity does not contemplate the purchasing of groceries and household goods by its members. We do not go so far as that. But here is what we do say when a merchant complains because an Equity concern over in Plum Creek, we will say, is buying groceries for its members: "Mr. Merchant, you know what happened in Plum Creek before the coöperative society was organized," and the history of the case probably was this,—that the local merchants there had squeezed the farmers so hard and for so many years, that when the farmers did get the machinery for purchasing agricultural requirements they went the limit and ordered their groceries and household goods also. Under conditions such as these one feels the farmers were justified in their action. I have heard some of the farmers say to a merchant who opposed agricultural coöperation, something like this: "By the way, I believe you own 160 acres out here in my township. You are farming and you are competing with me. Yet you say it's wrong for a group of farmers to buy their own requirements through their own organization."

I do not know how weighty this argument may be, but I do know that there are hundreds of men in Wisconsin who have fine farms and who are benefiting by the rise in value of their land, and it may be an argument that is worth something after all.

The Society of Equity has no desire to cross swords with our agricultural college; it would prefer to lock arms with it and similar institutions; for both have their fields of activity in which they can work to best advantage. There must be a coördination of effort, however, and an intelligent appreciation of the problem of rural life as a whole. We are certain that peach growers this year were not so much interested in Bordeaux mixture when seeing piles of peaches rotting in their orchards; how to get their fruit to the consuming public is what they want. Problems of marketing and distribution demand immediate attention and to this newer field we would respectfully refer the activities of our agricultural colleges.

Need of Economic Education Is Great

Wisconsin is justly famous for its pure-bred livestock and pedigree grains. In this field the university has done pioneer work. People come from every state in the union to buy Guernsey cattle in Waukesha county, because the farmers there have made a specialty of that breed. The average farmer in Wisconsin, however, is not selling pure-bred cattle at a fancy price. He is hard pressed to secure enough cattle of any breed and when he sells, it is usually for what the local stock buyer is willing to pay. And so we feel that average farming conditions must be improved at the same time that our colleges are providing for the comparatively few who can now avail themselves of the teachings of science. After all the welfare of the masses is what constitutes the welfare of the state. Not all of our half million farmers can receive technical training and some of them will have to be satisfied to sell their produce on the open market. If they did not and all raised Pedigree Barley and Number 7 Corn there would be an over-production of seed grains.

Many people interested in agricultural coöperation are taking the following view of the situation. They say: "In Wisconsin we have 200,000 operating farmers,—with their sons, reaching a total of 500,000 people. Only a few of us from the nature of things can ever attend the university or farmers' courses. If you could educate a thousand a year, which you cannot do at present, it will take 500 years to give us all an agricultural education. Most farmers do not keep hired men in the winter time—who will milk the cows while we go to Madison to study scientific farming? Even if our wives can milk we do not like to have them, and besides, who is going to take care of the children when the women folks drive to the creamery with the milk?" There are thousands of farmers in Wisconsin who because of physical conditions are unable to leave home even for the 2 weeks' short course at the agricultural college. With many the expense of the trip precludes doing so, if for no other reason.

The complaint is frequently made by professors in the university and by extension workers generally, that there are many communities in Wisconsin where the farmers are antagonistic and are not willing to accept the teachings of science. I have replied to this criticism by saying that the farmers in these localities are not ready for the advanced scientific instruction which our colleges are giving. I believe that it will repay an agricultural college many fold to understand that farmers will be quicker to apply scientific methods to their industry after they have learned the value of science in the conduct of their own business activities such as in coöperative creameries and cheese factories, and in associations organized for the purchase of their agricultural requirements.

Why Coöperation Would Help Wisconsin

To illustrate the value of an organization society in a state so essentially agricultural as is Wisconsin, I shall tell you as briefly as possible, of the effects of organization work in Ireland. Mr. Holman and myself were fortunate in being able to go to Ireland this summer and travel over that little country which is smaller than Wisconsin, with the agricultural organizers employed by The Irish Agricultural Organization Society, or the I. A. O. S. as it is commonly known, and which as you know, was founded by Sir Horace Plunkett. During my rounds of inspection I visited a creamery in County Donegal in the northwest part of Ireland. There were about 1,500 members. I found them a happy and bright class of people, but they were not well-to-do in our meaning of the term. Nevertheless, they had a creamery that cost $10,000, modern machinery worth $2,000 more, a comfortable and attractive house for the manager, and the house and the creamery were built of stone on the surface of which Dorothy Perkins roses were climbing and growing in profusion. Everything was of a most substantial nature. A stone wall 2 feet in thickness was built around the front of the creamery and all around the manager's house; the entrance to the house was between high stone gate posts on which iron gates were hung in so substantial a manner that they will probably swing true for a hundred years to come; and in the creamery they were making absolutely splendid butter.

Now, why were they able to do all this? Because the propaganda body, the I. A. O. S., was watching over this society along with several hundred other creameries and because the organization society had employed the best dairy expert in the United Kingdom to advise them and to see that everything was going right. This expert does not do it all himself,—he has a number of organizers working under him who travel around the country in Ford motor cars—but he draws plans for the creameries and he keeps in touch with all new improvements in the field of dairying, especially in Denmark and Sweden where most of their machinery is bought; and he not only tells the members what kind of machinery to get but he actually superintends its installation, and he will get down on his knees if anything is wrong with the slant of the floor, and he will correct the defect and see that everything is lined up properly. ,The coöperative creameries in Ireland are making better butter than we are making in Wisconsin. The best Irish butter is as good as the Danish butter, which is the finest in the world; and the poorest over there is about as good as any you will get in this country. The success of these coöperative creameries is due to the fact that the farmers realize that success or failure is due to their own exertion; that these are their own creameries and that they are going to get whatever profit there may be in the manufacture and the sale of butter; and since these are their own creameries the farmers are going to bring sweet milk every morning—as a matter of fact the milk is tasted, and if it is sour it is not accepted.

How Ireland Improves Butter Standards

An organizer working under the direction of Mr. Fant, the dairy expert, goes about his work in the following manner: He sees that the milk is properly weighed and tested for butter fat; he looks at the temperature of pasturization of the cream and the temperature of the cooling. He may get around at least once a week if the creamery is in its infancy. If it is a creamery that is known to be sound, he may drop in once or twice a month; but even then he can tell if things are running properly because every day a sample is taken of that day's churning. The samples are not placed in a refrigerator but upon a table in the same room in which the churning is done. The organizer may come in 2 weeks, perhaps, from the time the samples are put there. He inspects each sample and it has got to be right and if it is not, he investigates and finds the cause.

In the town where I live there is a proprietary creamery. It is a splendid creamery and its owners are taking cream away from a large coöperative creamery located about 100 miles away. The reason they are getting the cream is because they are paying higher prices for it than the coöperative creamery can afford to pay. The owners have the most modern machinery; they know that the law says that they can put 16 per cent of moisture into the butter; and they know in this day and age, a person has got to get what he is entitled to or he might as well close down. I strongly suspect that the coöperative creamery is so afraid that it will exceed the 16 per cent limit of moisture. that a good deal of the time the moisture is down to 13 per cent. That means it is losing 3 per cent at every churning.

But in Ireland, the organizer looks after things like this. He goes in to the creamery and says: "What is the matter that you are only getting only 14 per cent of moisture in your butter?" And the buttermaker shakes his head and says: "I don't know what the matter is but I can't get any more." Perhaps it is a creamery that has been purchased from a proprietary company, and very likely the organizer will say: "Why, that is a very old churn. There is no use in trying to use it. We have had 60 cases like that in Ireland and we find that we can't get the moisture in properly, but I know the churn that will do the trick." And because the farmers have confidence in the judgment of the organizer there will be a meeting of the board of directors and the proper churn will be installed forthwith.

Right Kind of Organizer a Necessity

All this has a bearing on my subject because it is in things of this nature that the most effective organization work is done—the things that will build up a strong coöperative organization. As far as we are able, our organization is supplying expert advice. In Wisconsin (as is done in Ireland) we try to secure as organizers men who can not only go out and make an appeal direct to the hearts and consciousness of farmers, arousing them to the need for organization, but men who combine the ability to speak convincingly and effectively with business qualifications as well. In a dairy state an agricultural organizer should know something about how butter is made, and how to keep books. He must have sympathy and appreciate the limitations of the manager's knowledge. He may inspect a set of books and find that things are all wrong, but he has a different viewpoint from that of state inspectors and auditors, who may say when things are tangled up and look badly: "Shut up. Close down." The organizer does not say that; he says: "Your books are wrong. They are in a bad mess. Now let us sit down here and see if we can't find where the trouble lies." He straightens things out. He knows how and has the disposition to do so. He says: "I know 50 places where they have a certain system of bookkeeping and where the managers never have any trouble. You should install their system here." He should go around to a place like that every week, perhaps, for a while, and he should stay with that man over night and work during the evening hours and teach him how to keep books. Over in Ireland they have done all of these things and the result is that there are a thousand odd societies in Ireland that are efficient and splendid.

Some of these things we have done in a measure in Wisconsin. All of them we hope to do in the future. We have 450 local unions but about 70 only of these are incorporated. There are several reasons for this: one is due to the individualistic attitude of the more prosperous farmers in the community; the other is due to the failure of so-called coöperative activities in the past.

Why Organization is Difficult

We are all familiar with the individualistic type of farmer. We have had a country of vast undeveloped resources. Men have said to themselves: ''I did not plan to be a farmer. My father was a lawyer and my grandfather a judge; but I believe if I get this piece of land, even if I don't know much about farming, I can at least hang on to it. I can get it cheap and I will do just as my uncle did in Ohio,—if I keep it long enough I can sell it for $150 an acre.'' I don't know how many of that class of farmers we have in Wisconsin, but I do know that in every township in the southern half of the state we find men of that character. These men have made their money not so much in the growing and selling of their crops as in the rise of value of their holdings, and the result has been that these people do not appreciate the situation in which the newer settlers find themselves, who must pay high prices for their land. This ''selfmade'' farmer is apt to say: ''Why, I made good. Let the other fellow do the same.'' Quite frequently he is the chairman of the town board or one of the supervisors or holds some other position of influence in the community. Such men frequently are opposed to coöperation. They often injure it by the use of a shop-worn but effective stock phrase: ''Coöperation is foolish,—it won't work.''

The second reason why it is difficult to incorporate as legal entities, as already stated, is because certain farmers organizations started 40 or 50 years ago to do certain things coöperatively without knowing the economics of coöperation. They had not heard about the Plunkett House organization in Ireland; they had not heard about coöperation in Denmark and Germany, and the Raiffeisen and Landwirtschaftsrat and the Schulze-Delitzsch. They went ahead bravely, blindly and made heroic mistakes. When I helped to organize an Equity local in Wisconsin, I tried to get my grandfather to join. He refused on the ground that he had lost several hundred dollars in a ''coöperative'' creamery, and some more in the Farmers' Alliance. He wouldn't listen to me at all. Do you know anybody like that where you live? Of course you do. The kind of coöperation my grandfather knew was the coöperation that blazed its way across the continent, shot Indians from wooden forts, hewed down forests, and gathered together adventurers in caravan trains to cross the plains and deserts to California in '49. But the business coöperation our forbears knew was of a more hybrid nature. Any sort of a business arrangement could be called coöperative and this was true up to the year 1911 in Wisconsin when we secured our coöperative law. We now have a one-man one-vote proposition and no longer is it possible for the owner of 10 shares and one cow to out-vote the farmer owning 10 cows and one share.

I could tell you a good deal about our difficulties in Wisconsin and of our successes. I have a number of letters with me that I have received during the past 2 or 3 weeks from friends of mine, from managers of coöperative companies, livestock shipping associations and so forth. Time will not permit me to read them to you, but I have a half a dozen here that would absolutely stir you up to the need of agricultural coöperation,—letters that tell about the conditions that existed before the farmers organized; before the Equity came in, and before they organized and incorporated and before they could get their agricultural requirements at wholesale or could ship out their livestock and other products at a living price. I haven't time to go into this matter except just to mention it to you and to tell you that there is that feeling in Wisconsin.

We are not a fraternal or secret organization. According to our constitution and by-laws, anybody who says he is interested in agriculture may join. We know in a movement like ours there are always the disgruntled, the idealists, the dreamers and the fellows with queer ideas; and some of those people have come in. A farmer is not always as discriminating as he might be and sometimes he is carried away temporarily by unsound arguments put forth in orotund and pseudo-eloquent phrase by the camp followers and the hangers-on. We have got to bear this in mind, and it will take time and patience before we can get our entire membership thinking along lines that will be entirely free from the criticism of the impartial observer. I know some people say that it is hard to organize the farmer; that it cannot be done. But we know that it has been done in other countries and is being done in the United States. The bureau of markets and rural organization at Washington has estimated that the total turnover of agricultural coöperative organizations in 1915 will have amounted to $1,500,000,000.

Development of Packinghouses

The packing plant proposition is a later phase of coöperation on a somewhat larger scale. This is the way the movement for a farmers' coöperative packing plant started. A standing committee on coöperative packing plants was appointed at one of our national conventions. This committee investigated several propositions in Wisconsin, and finally recommended that Wisconsin was ready for a coöperative packing plant and urged that steps should be taken to establish one.

A number of us thought that the farmers were not ready for such an undertaking. We felt that we did not have enough local activities incorporated, and had not yet developed sufficient business ability to carry on an undertaking of such magnitude. Nevertheless, the sentiment was so strong for the undertaking that in 1913 our state convention endorsed tentatively the proposition of incorporating a packing plant. The national packing plant committee, together with other farmers, had made up their minds to buy an established concern in the western part of Wisconsin. With the best of motives, undoubtedly, they went ahead and secured it. Some of the national officers were connected with the selling of the stock on a commission basis.

Many of us felt at that time, and still feel, the impropriety of such a proceeding. Testimony has been given at different times showing that the commissions to be realized by the promoters ranged between 20 and 30 per cent on certain blocks of stock. At one of the investigations held at the state convention last year, Dr. Charles McCarthy, who is a member of our organization, was asked to give his opinion concerning the advisability and propriety of officers of our organization engaging in such enterprises. In answer he said it was quite contrary to the true spirit of coöperation to give commissions of any sort; that if there were a demand for coöperative packing plants, the farmers would subscribe the stock without paying large commissions to promoters.

At the state convention strong resolutions were passed condemning the promotion methods employed and questioning the propriety of our officers in engaging in matters of this character. We have never accused anyone of dishonesty in the selling of this stock; but we think that the men in question have not demonstrated themselves to be good, sound business men in the conduct of the affairs of the first coöperative packing plant. We shall oppose such practices in the future unitedly as an organization, and we trust that we shall have so strong an organization, mentally and morally as well as physically, that we shall be able to discriminate between proper and improper methods, call in expert assistance if necessary, know whether a proposition is sound or not, and likely to succeed; and if we think that it is not legitimate, we hope to be so strong and our word so good, that the farmers of our state will listen to our organization if we sound a warning, and be guided by our counsel and advice.

What Wisconsin Hopes Coöperation Will Do

I have given you a few of the principles that underlie the movement for agricultural coöperation in Wisconsin. We on the firing line are fervently hoping that the general public will accept them, and that they will prevail. Ours is a movement of the masses in agriculture—the farmers who farm their farms, and from whom the city housewife directly or indirectly gets her food. It is a movement that aims not to raise the cost of living to a single householder, but to get only a profitable return, to cut out waste and to employ modern business methods. It cannot promise to reduce materially the cost of living because that rises higher from year to year, due to many factors not coming under this discussion; but the application of the coöperative principle to the farming business will raise decidedly the quality of farm produce. In Denmark butter, eggs and bacon are sold with a positive guarantee as to quality and excellence. These same conditions will some day obtain here. Agriculture alone of the great industries remains practically unorganized. The Society of Equity is striving to do for its members and for the farmers of the state the things that in other fields of endeavor have called forth the activities of industrial and commercial leaders. The production end of agriculture has been taken care of by our agricultural colleges and farmers' institutes, until in that direction there is little to be desired. Our field is that of securing for the average farmer a fair return on his investment and labor—one commensurate with the long hours and arduous toil that he performs.

We are hoping that a new light will burst forth from our seats of learning,—an appreciation of the difficulties with which the average farmer is confronted. Already we see the department of agriculture at Washington broadening out in its policy towards associational effort. The fact that at this conference 17 of our states are represented by the heads of marketing departments, lends encouragement to our cause and makes us look forward to the day when the state and the self-help movement will work in perfect harmony and with mutual benefit.

PUTTING COÖPERATION ON A BUSINESS BASIS

E. M. Tousley

Without question unless coöperation is put upon an efficient business basis it can never become permanently successful in the United States or elsewhere. The changes have been rung on the slogan "Better Farming, Better Business, Better Living," but I desire to introduce a new slogan at this time for coöperators, namely, "Capitalize, Patronize, Supervise," as the essential features in putting coöperative organizations on a business basis. There are many important points which should be touched upon in treating this subject but time will permit me to call attention to only a few which properly come under the head of these 3 divisions.

Associations Must "Capitalize"

Every coöperative enterprise must, of course, be properly capitalized if it expects to be either temporarily or permanently successful. Innumerable failures of such enterprises in this country may be traced directly to an inadequate working capital. Many times have I been told by officials of coöperative associations that their farmer members, while willing to contribute sufficient money for the purchase of an elevator or other house in which to do business, refuse to furnish additoinal or working capital with which to conduct the business properly. This on the theory that the money put into a building can be seen and not blown away or stolen, while the capital necessary to conduct the business they refuse to contribute for fear it will be lost. This, of course, simply indicates complete lack of confidence in themselves, the officers they elect, and the coöperative system of transacting business.

First let us take a glimpse of what constitutes a "coöperative system." Does the simple assumption of the ownership of a local elevator, store, creamery, or other enterprise constitute a system? Decidedly not. The organization of a coöperative association to operate any local enterprise is but the first step in the building up of a coöperative movement. From the local units, when a sufficient number have been brought into existence, should be formed terminal associations for the agricultural selling associations, and the ownership of wholesale houses and other machinery of distribution for the consumers. When this secondary step shall have been taken, the next step, that of manufacturing, should also be undertaken. When the responsibility for the ownership and successful operation of these various departments of a "coöperative system" shall have been assumed by the people, then and then only may it be called a "movement" and be in position to compete successfully with the business world. On the contrary, if one set of coöperators own and operate the primary units, and other sets own and operate the other departments, there is no "system" or movement, and there will be eternal clash and chaos between these would-be coöperators, and no real progress can be made. While this statement of the case may be very inadequate, I have tried to present to you the efficiency of the Rochdale plan of coöperative distribution and its antithesis, the American plan.

On the Rochdale plan the consumers, wage earners, farmers—we are all consumers—own, and, through their duly elected representatives, operate the local coöperative store, or local unit, whatever it may be; these store societies, through their duly elected representatives, own and operate their own coöperative wholesales; these coöperative wholesales through their various committees and departments, own and operate their own manufacturing establishments, and also, to a certain extent, their own agricultural productive enterprises. With this perfected chain system, British, as well as other European coöperators, are enabled to free themselves from the domination of the middlemen profit-takers, and to save to themselves practically one-fourth of the cost of living. We American coöperators have evidently lost sight of the fact that coöperation means the building up of a complete system. Our English friends are continually reminding us of the fact that we Americans are always putting "the cart before the horse''. Persistent attempts are being made in this country to organize and operate large terminals, wholesale houses, packing plants, factories, etc., coöperatively, before any provision whatever has been made for a coöperative outlet for their products. It would be as practical to start a clothing factory for ''the man in the moon''. The cure for the ills and failures of coöperation everywhere is ''more coöperation''. Having disposed of the ''system'' phase of the coöperative movement let us turn for a few moments to the consideration of the business basis upon which local coöperative companies should be founded and operated.

Association Members Must ''Patronize''

After the membership of a coöperative enterprise shall have furnished a sufficient amount of working capital the next important point which affects the institution on its business side is that of loyal patronage. No coöperative enterprise can expect to be successful unless it shall first have within its own membership a sufficient volume of patronage first to pay the necessary operating expenses and leave a balance in the profit account to pay share dividends, or interest on capital, and in addition thereto, when conducted upon the same price level as competing institutions, a sufficient saving to pay some patronage dividends. To most minds there is no other reason for its existence.

The coöperative company must have been organized in the first instance with this particular object in view. If organized with too small a group of members, with the avowed object of making profits off from the trade of non-members, it is not coöperative in spirit or character. It follows then that a truly coöperative association must depend upon the loyal patronage of its members in order to succeed financially. This is so obvious as to be self-evident Perhaps no factor has been more prolific in causing the failure of coöperative concerns than this one of the disloyalty of its own stockholders.

''Supervise''—That Is Essential

Under the head of proper supervision comes the whole question of careful, frequent and efficient auditing, as well as the spirit and acts of officers, managers and employes. Let us consider these in the order of their importance.

First—elect officers. A coöperative association is distinguished from all other business corporations by its thoroughly democratic vote—one vote per member or stockholder regardless of the amount of capital invested or shares held by each. Stockholders should choose honest, successful members to be directors and officers of the company. If such are already on the Board, re-elect them, not only as a reward of merit, but because they can bring greater business success by reason of their experience. Passing important positions around as a compliment to friends is poor business policy. Rejecting a good director on account of personal "spite" is even a worse business practice.

One of the great weaknesses of coöperative enterprises among farmers is that of the lack of business training and stamina among its officers. I do not mean by this the lack of business knowledge alone. Very often a farmer director may know what should be done by the manager or other employes to make the business more prosperous, but fails to insist that the proper changes be made, and be made at once. It goes without saying that officers of a coöperative company must be enthusiastic coöperators and men who have made successes of their own business ventures with enough back bone to call a spade a spade at the right time and place, and to insist upon the instructions of the board being rigidly carried out by employes.

Doing Business on a Cash Basis

No enterprise may be said to be either coöperative or upon a sound business basis unless its dealings are conducted upon a basis of cash or its equivalent. Credit is a curse alike to those who give it and to those who receive it. Discussion on this point seems useless from the viewpoint of a coöperator, so I refrain from further comment.

What Is Auditing?

What is auditing? Would you call it effective auditing for a committee of 2 or 3 inexperienced members of a coöperative association to go over its books and the annual report of the manager, after the year's transactions have been closed, footing the columns to see if there are any mistakes in addition, and going over a few vouchers to verify some of the entries and the report? I would not. After many years of experience in organizing and advising with coöperative store companies, and other enterprises, I am firmly convinced that an honest, efficient and fearless audit must be made of the transactions of the business of coöperative institutions, each and every month of the year, by an impartial expert, and their business errors, failings and shortcomings called to the attention of the manager and officers while the business is being transacted. Auditing the books but once a year, in most cases, is identical with "locking the barn door after the horse is stolen."

The monthly reports and auditing should show, among other things, the amount of business transacted during the current month compared with the same month last year; the total amount of business transacted from the beginning of the year to the date of the monthly audit, compared with the record of the company for the same period the previous year; total indebtedness; total capital stock; total undivided earnings; total notes on hand; cash on hand and in bank; discounts taken; average monthly sales; operating expenses; percentage of salaries and other operating expense in proportion to the total volume of business; dividends paid, etc. With this information coming to the stockholders every month in the shape of a bulletin placed in a conspicuous position in the store or other place of business, confidence will be established, the members will patronize the institution more loyally, new members will gladly join and a sufficiency of capital will be offered by the people, and the volume of business will be so increased as to make its transaction much more economical. Such an arrangement also distributes responsibility. As one farmer expressed it, when this plan was explained to him: "If we go 'bump,' we will do it with our eyes open." One thing but few members of coöperative organizations realize, and that is that the size of the dividends paid them each year is not the measure of the success of their business enterprise. The one true measure of success is arrived at by knowing at what rate of gross profit on the dollar the business is transacted, then subtract from this the per cent of operating expense showing the net earnings on each dollar of business transacted. If the company is operating its business on a 20 per cent gross margin, and it costs 9 per cent to do business, the net earnings will be 11 per cent, and a patronage dividend, in excess of 11 per cent, may be paid the stockholders, after providing for reserves and surplus, by reason of the one-half profits accruing to the general profit account of the company from the trade of non-members, whereas, if the same company transacted its business at a gross profit of 25 per cent, with an expense element of 14 per cent, the net earnings would still be 11 per cent, and the same sized dividend could be paid to the stockholders, but all patrons, stockholders and non-stockholders alike, would have paid 5 cents more on every dollar's worth of their patronage, and been out of pocket just that amount.

What Publicity Really Means

It is self-evident that the rank and file of the membership must be educated in these business principles in the practical workings of a coöperative association. It is also considered by those who know best and who have had long years of experience, that the exact financial and other conditions of a coöperative organization must be frankly made known to its stockholders as the business proceeds. In no other way can their confidence be secured and maintained. Without confidence there is nothing to build upon and retrogression sets in.

Business acumen in the operation of coöperative enterprises at the present time would indicate a proper amount of advertising for both educational and business purposes. All that has been said and written by advertising advocates and experts, of the value of advertising to private business, will apply, to a certain extent to coöperative business also. In so far as the meetings of the members of coöperatives and a spirit of loyalty may take the place of a part of this advertising in disseminating knowledge, a portion may be dispensed with.

All these essentials require the proper supervision in order to put coöperation on a business basis in this country. It may be a long road and it may "take well through the present century," as another has said, but unless the rank and file of the people unite in sufficient numbers to "Capitalize, Patronize and Supervise" their own coöperative business institutions, just so long will they continue to suffer from the evils of the system opposed to this program.

How most effectually to educate to, and install and apply the business methods herein mentioned, and many others, is the practical problem confronting those in the American coöperative movement. After more than 10 years experience with the whole of my time devoted to the study and practice of the method best adapted to American conditions, this experience covering the organization and detailed operations of over 200 coöperative associations, with 3,000 stockholders, with an average investment of nearly $200 each, I am sure in the opinion that only by the formation of a National Agricultural Organization Society to propagate associations to coöperatively standardize and to market farm products, and to buy the coarser farm supplies for the producer end of the movement, while for the consumers' distributive and industrial end, there must be a national coöperative union, democratically controlled, through which local coöperative associations may be formed and properly guided and united.

THE RAILROAD AND THE COÖPERATIVE MARKETING SOCIETY

R. W. Hockaday

General Industrial and Agricultural Agent, M. K. & T. Ry. Co.

It is assumed that you desire me to tell you something of the interest the railroads are taking in coöperative marketing and of our personal interest in improving marketing conditions for our producers.

The representatives of American railroads have undoubtedly given more thought to this subject than any other one interest —except the producer, and have only failed in accomplishing more definite and satisfactory results because of lack of proper support from the other essential agencies. The producers themselves have failed in many cases to adopt suggestions made to them with promptness and have not been properly organized for proper satisfactory production of high grade articles, nor have they carefully considered and acted upon the necessity for standardization of pack, as to quality, grade and package, and packing for transit.

High grade product in proper package sells itself; the trouble lies with culls, low grades and mixed shipments. Consumers buy with the eye and are quick to appreciate uniform high grade product and are willing to pay for such food a price remunerative to the producer. They demand that culls and mixed grades be sold at reduced prices.

On the M. K. & T. Ry. we have worked for several years with our growers to get them to understand and appreciate the necessity for and advantage in organization. I am sorry to have to say that we have failed to accomplish the organization of very many satisfactory associations.

An organization is absolutely necessary for proper marketing of perishable products; for the many questions arising in community shipping of such products can only be handled satisfactorily through an organization. There must be some central body in each producing section to whom suggestions can be made and which will undertake to see to it that the growers comply. Through this same channel can be disseminated information regarding available buyers and markets. Local inspection and at important gateways can be arranged for jointly at a minimum cost to the individual which is not possible where growers are acting independently. An organized effort to obtain federal aid in marketing will accomplish results which the individual could not hope for alone.

Why the Consumer Pays for Quality

Production of high class articles and proper packing, inspection, etc., necessarily advance the cost to the producer, but the increased returns justify the expense, and the product can be sold, which is not the case with low grade or mixed products.

It is difficult to persuade the average farmer producer that he can better afford to pay $5 per day for an experienced packer than to give an inexperienced man $1 per day. It is hard to convince him that he cannot deceive the consumer who buys with his eye, and that this consumer will always give preference at increased cost to the product which is uniform in quality, size and package; yet he does and he will continue to do so as long as different grades are offered for sale in our markets.

It is our deduction that the producer is himself responsible for prevailing conditions. He could establish the price and control the situation if he would. He does not try as he should. The average producer gives thought only to production in quantity and makes no effort to improve quality or make his product attractive to the purchaser. The few who do are in so small a minority that in most districts they are not able to market their product to advantage either individually or collectively because of their necessity for shipping with careless growers whose poor product reduces the value of their higher grades.

The railroads have been requested by growers to take buyers into producing sections to purchase f. o. b. track. Buyers have gone to these sections and made purchases at satisfactory prices, to find their market flooded by growers from the same district who shipped their product under consignment, creating a loss for everyone.

Our growers seem only to know 3 markets—St. Louis, Kansas City and Chicago. They ship to these points a daily surplus which establishes a price far below that for which could be sold an adequate supply for that city. Buyers from other cities make their purchases in these 3 overstocked low priced markets. The grower loses, but he charges his loss not to his own lack of intelligence in handling his product but to the commission men. The growers who ship to these markets in this way are themselves responsible for the conditions created.

Railroads Willing to Aid Coöperatives

The railroads have tried with sincerity of purpose to assist producers in obtaining better prices for the principal reason that they want the farmers to prosper. Prosperity of the farmer means general prosperity of the banker, merchant and railroads. It is for this principal reason the railroad representatives make their investigations and recommendations. The railroads have another smaller but important interest in the proper packing and inspection of perishable products. They are generally called upon to pay claims on shipments which are improperly loaded at points of origin or refused at destinations. Many shippers insist upon collecting their losses from the railroads. They often fail but their intention is shown. Railroad claim departments after experience extending over many years are able to determine the responsibility for damage and loss and payments are naturally declined when the railroad is not at fault. Inspection by railroad men is becoming more general and rigid. Records are kept of shipments rushed in packing and unloading, and when weather conditions are unfavorable, to avoid payment of unjust claims.

On the M. K. & T. Ry. we believe organization is essential and we are strongly recommending to our growers that they organize, for the purpose of producing high-class products, for purchase of their packages, for inspection, for shipping and for sale of their products. We believe that if we can produce a standard grade, packed in uniform package, that an increased and satisfactory price can be obtained in the markets or at points of production. We also believe firmly in the value of the aid to be derived from the federal bureau of markets and hope the time will soon come when this department will be able to place its representatives in the principal producing sections and at each of the important gateways through which shipments move.

When there are organizations to which reports can be made and there are federal agents to make reports, the growers can be kept in daily touch with available, open, unsupplied markets and there can be a more general intelligent and proper distribution of perishable products. When the grower furnishes a standard pack of uniform grade and quality the buyer will cheerfully pay a price to justify the labor and expense incident to this kind of production, and the grower will make more money; the buyer will be better satisfied and better fed.

Our representatives can be counted upon as engaged in an effort to accomplish these conditions in territory served by the M. K. & T. Ry. and we propose continuing our work until definite results are accomplished.

RELATION OF CONSERVATION TO AGRICULTURAL COOPERATION

GIFFORD PINCHOT

Former Chief Forester

Conservation may be defined as the wise use of the earth for the benefit of the people who live on it. Now, if that is true, there is no one who is more concerned with the conservation policy and principle than the farmer. The natural resources which are the objects of conservation are as a matter of fact the raw materials of human safety and comfort and prosperity. The houses we live in, the barns our stock occupy, our fences, our clothes, our food; all these things are simply natural resources transformed to the use of man. And the farmer has as keen an interest and has manifested as keen an interest in this conservation as any one—in the price of coal, in the price of timber, in the price of the metals, in the price of the thousand and one things that he must use. The conservation policy, which in a very real sense is the cost of living policy, comes straight to him, and I have had the very pleasant experience over and over again when we were in a tight place on conservation of going to the farmers' organizations and getting from them sympathetic and understanding help, because they know what this thing was all about.

Two Sides to Conservation Policy

There are 2 sides to this conservation policy just as there are 2 sides to the big farm question that we have been discussing here. And one of them everybody agrees to: when the conservation policy first became a subject of public discussion it took almost no time at all for it to become established in the public mind that, of course, natural resources ought to be wisely handled. Before the thing had gotten fairly launched, within a few months of the time when it was first broached, it was then and has continued to be now almost as difficult for any public man to say that he did not believe in the conservation of our natural resources as to say that he did not believe in the Ten Commandments. The general policy was accepted by everybody. "Of course, use our resources wisely; save the timber, protect the coal from waste; develop the water power wisely, and above all conserve the fertility of our soil." Right there is perhaps the biggest single conservation problem, in its influence on the whole country, that we shall ever have to tackle. Everybody was for all those things, but the general smiling consensus of opinion that conservation was a good thing did not last very long after we began to say, "Yes, let's conserve all these natural resources, but who is going to get the benefit of that conservation?" And the minute that question came up there was war to the knife, and the knife to the hilt, and that war is not done yet. That is what the conservation fight is about, on the question of whether we shall save our forests and our water power and the rest of it—who is to get the benefit of that saving? Shall the benefit go in a fair and decent manner to all the people, just as widely as possible, or shall the comparatively few do in the future as they have done in the past—skim the cream and give the skimmed milk to the public?

Fighting the Anti-Social Interests

I want to tell you that there is going to be this year an effort to force through Congress, against representatives of special interests, bills that are in the public interest in this matter. You have been told in the newspapers by the men who are fighting the conservation policy, over and over again, that conservation hinders development. I want to tell you that the men who have fought development through conservation year in and year out have been the men who prefer not to have good bills passed—prefer to remain under the bad situation which we face now rather than to have good bills passed. They tell you that conservation men held up development of coal in Alaska and yet for nearly 10 years we tried year after year to force through Congress in the face of the representatives of the Guggenheims and others the development bill which finally passed last year. The proof that that was a fairly reasonable proposition is that it was adopted last year by the Congress of the United States in spite of the opposition.

We have been trying year after year to force through the Congress of the United States a bill which shall recognize that the water powers of this country, belonging now to the people, ought to continue to belong to the people, and ought not to be handed over forever and for nothing to a lot of big special interests—the water trust which is now forming.

We are going to have that fight again this winter.

These men year after year have blocked the passage of that bill as they blocked the passage of the Ferris bill last year. We are going to have that fight up again this winter and I think we will put that bill through in spite of the representatives of the water power interests who are already in Washington and who are going to stay there through the session. This fight, gentlemen, is not a fight for anything but just this: to see that the natural resources that God put on this continent of North America shall mainly go to the people of the United States and not to a few men who are plenty rich enough right now.

I want your help. We not only want but we need your help to fight this fight through. It is going to be fought through, and it is going to come out in the right way.

Conservation a Farmer's Problem

Conservation is the farmer's problem as much as it is anybody's problem The farm question divides exactly along the 2 same lines with the general conservation problem itself. For years everybody in this country has been in favor of increasing production on the farm, and everybody ought to be. It is the wise and right thing to have happen. We have spent more money on that thing in proportion to our population—I don't know how many times, more than any other nation in the world. We haven't got all the results quite, yet, but we have spent the money, at least.

We ought to have bigger production on the farm, and we are going to get it, but there remains behind exactly the same question as in the matter of the general conservation policy: for whose benefit mainly is the increase of production on the farm to be?

Now, if it is true—I have heard it said a great many times, and so have you—if it is true or even in the neighborhood of the truth that the man on the farm gets only about half of the money that the consumer pays for the farm products that approximately half of the money on the way from the consumer to the producer drops out here and there along the road then there is a huge waste, and as long as that waste continues to be there it is obvious on the face of it that the man whose production has increased on the farm is not getting the benefit that he ought to get, is not getting his fair share of the benefit that he ought to get out of the better methods of farming.

This country consists of consumers and producers. Every man is a consumer and every man is a producer, or, every man ought to be a producer. If each now shares in the loss from the waste, each ought to have his share in the repair of the waste. And as I understndt it in its true aspect, the work that this conference has come here to take up is the question of so handling farm produce by a wise production, by standardization, by better methods of distribution, by better methods of farm credit, by the general organization of the whole business on the farm so that this gigantic waste which now exists shall be eliminated, partly for the benefit of the farmer; partly for the benefit of the consumer; partly, also for the benefit of the men who ought to be benefited—and some of them ought not to be—who stand between the farmer and the consumer.

I see no larger problem connected with agriculture in the United States than this We may have all the better farming you like on the farm, but until we have, in the language of Sir Horace Plunkett, better business on the farm as the first step toward better living on the farm, we shall only have used a very small part of our opportunity. I see this thing as the biggest thing that can be done for what is fundamentally the most important part of the population of this country, and I consider it a high privilege to come here and get a chance to say this to you and to add that I hope in the future, as I have tried in the past, to do what little I can to help this work along. It is more worth while than any other thing that is to be done for the man who lives on the land in the United States.

THE WORK OF THE JEWISH AGRICULTURAL AND INDUSTRIAL AID SOCIETY*

GEORGE W. SIMON

Western Agent

In discussing rural credit and rural coöperation, or rural progress in general, the average investigator or student of economics turns his attention to what is being done in Europe, Africa, New Zealand, or elsewhere, and is either unaware of, or he ignores entirely, what has been accomplished in this country. In fact, the European stamp of approval seems to be necessary on everything—from tenors and sopranos to cotton and potatoes—in order that it may gain popular favor here. Our American young men and women must first go to Europe to get their recognition and trade mark. Our cotton must first go to Europe to be worked in the mills there, and then be reimported into this country in the form of woolen material.

In the matter of rural credits there are some who firmly hold that, our people being different and conditions here being different, we can not transplant to this country the European rural credit systems; that it is impractical and even impossible. It might be of interest, therefore, and to some, even a revelation, to learn that here in the United States the French *Credit Foncier* system, or long-term rural credit, has been in operation for the past 24 years, while the German Raiffeisen system, or short-term rural credit, was established in this country in 1909, and has been in actual operation since 1911. This work has has been done under the auspices of a philanthropic organization, subsidized by the Baron de Hirsch Foundation, namely the Jewish Agricultural and Industrail Aid Society, with which I have the honor of being identified.

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*Delivered before the second National Conference on Marketing and Farm Credits at Chicago, in April, 1914, in joint program with the Western Economic Society.

The Jew, as a class, has always been identified with commerce and finance. Our experience has shown that by applying the same business principles to farming, he can make farming pay in spite of the many drawbacks he has to overcome. There are now in the United States about 7,000 Jewish farmers. A few years ago our society estimated that the 3,718 farmers with whom we came in personal contact own 437,265 acres of land worth, approximately, $22,194,335, with an equipment worth $4,166,329.

A Fund to Lend Money to Jewish Farmers

The Baron de Hirsch fund was established in 1890, and from its inception has made loans to Jewish farmers in the United States at a moderate rate of interest and upon easy terms of repayment. The great increase in Jewish immigration to this country naturally increased the demand upon the activities of the fund, and new and more urgent problems arose.

In view of the growing importance of the agricultural phase of the activities of the fund, the board of trustees found it necessary to create a special organization for that purpose. Accordingly, in 1900, the Jewish Agricultural and Industrial Aid Society was incorporated. The chief object of the society is to render financial assistance to Jewish immigrants who wish to become farmers, or to enable those who are already on farms to maintain their foothold. In view of the fact that our resources are limited, we do not, as a rule, make loans on first mortgages, but on second, and even third and fourth mortgages, supplemented sometimes by a chattel mortgage or other collateral security. Loans are made either towards the purchase of a farm or its equipment, or both. Loans are likewise made to those already on the farm to enable them to make improvements, to buy additional equipment or for like purposes.

During the 14 years it has been in existence, our society has granted, in round numbers, 3,000 loans, aggregating $2,000,000. The loans are made at 4 per cent interest, on long-term mortgages, running on an average for 10 years. The terms of repayment are based largely upon the ability of the farmer and the earning capacity of the farm. The character of the farmer is taken into as much consideration as the real estate security. The proof of the soundness of our experiment is that, in spite of the inferior security which we accept, our losses, during the 14 years, were less than 2½ per cent, and the repayments, 30 per cent. The payment to the society for the fiscal years ended December 31, 1913, amounted to $100,091.04 on the principal, and $30,292.18 in interest.

Doing a National Work

Our society made loans in 32 states and in Canada, thus our operations cover a much wider territory than that of all the European land credit banks combined. It proves that the rural credit system is practical and adaptable in every state of the Union. The time of free land being past, land is now a good security, provided we have good farmers on it. I believe that *land is worth as much as the man who is on it,* and we do have some good men on our farms.

Our experience has shown that, after receiving loans on second and third mortgages on easy payments, our farmers were still struggling against trying difficulties. There arose in our rural districts a new class of money lenders, who gradually preyed upon the farmers until they had them completely in their power. Sometimes they are the local storekeepers, sometimes "just neighbors." Like the hookworm prevailing in the South, these money lenders infest the body of our farmers and sap all their energy and strength. To free the Jewish farming communities from these parasites, we decided to organize among them coöperative agricultural associations, by means of which the farmers could help one another.

Pioneers in American Rural Credits

Since 1910, when Ambassador Myron T. Herrick reported to President Taft upon the progress of rural credit in Europe and pointed out the comparatively abnormal conditions in the United States, the country is almost daily discussing this problem, and there is hardly a periodical which has not had an article on the subject from time to time. In 1907, when our society first tackled the proposition, there was very little information on the subject. After considerable study, our general manager, Mr. Leonard G. Robinson, arrived at the conclusion that the Raiffeisen system offers the best solution of the problem of short-term loans, and in 1909 he devised a modification of the German system to meet the demands of our farmers. As pioneers in the field, we naturally encountered many obstacles, chief among which was the absence of legislation under which these credit unions could be incorporated. We finally concluded to organize them as unincorporated or voluntary associations, and in May, 1911, the first coöperative bank on American soil was opened.

It was not very difficult to introduce these credit unions among our farmers, for we had already organized the farmers into local groups or societies. This we succeeded in doing through the activity of our educational department which issues the *Jewish Farmer,* a monthly periodical published in Yiddish, the editorial staff of which has charge of the extension work. The local societies were afterwards centralized into a Federation of Jewish Farmers of America. Through this federation we spread the gospel of coöperation and introduced the Raiffeisen system. We asked each group to subscribe together $500, in shares of $5 each, and we then loaned them $1,000, that is, $2 for every dollar subscribed, at 2 per cent interest per annum. The small community now had $1,500 for their emergency needs. If a member of the community falls short of immediate funds, he does not have to borrow the money from his mercenary grocer or from the usurious money lender, but he can get it from his own community bank—from his fellow farmers who do not need the money just then, but may have occasion to use it later on. This community bank, or coöperative credit union, in the management of the affairs of which he has the same voice as any other member, regardless of the number of shares held, charges him 6 per cent. The loan is granted for a period of not over 6 months and for a sum not exceeding $100.

To date we have 18 of these banks in operation. Eight are located in New York, 5 in New Jersey, 4 in Connecticut, and 1 in Massachusetts. The 17 credit unions which were in operation on September 30, 1913, reported a total membership of 517, and a capital of $9,165. Up to that date they had been in operation for a period averaging 13 months, during which time they had loaned out $73,624.66, or about 8 times their capital. Their net profits amounted to $1,317.93; that is, at the rate of 13¼ per cent on their original capital.

How Credit Unions Operate

The operation of our credit unions is simple. The by-laws are plain. The membership of the coöperative credit union is limited to the farmers residing within a small area, and is open only to members in good standing in the local Jewish farmers' association, which is itself a branch of the central organization, the Federation of Jewish Farmers of America. Every member of the local association can become a member of the coöperative credit union by buying at least one share. The par value of each share is $5. None of the officers receives any remuneration for his services, except the secretary, who is allowed a nominal recompense. The 17 banks had a total expense, in 13 months, of $726.93. The only loss sustained by any of the credit unions was a loss of $27.98 by the Credit Union of Colchester, Connecticut, through the failure of its depository, the First National Bank of Norwich, Conn.

The benefits derived by our farmers from these rural credit systems are manifold. Our willingness to make loans on second mortgages to our farmers induced the local bankers to make them first mortgages, where otherwise such were not available. In other words, we helped to discount the personal qualities of the farmer, and gave him a strong moral support.

The Credit Merchant Losing Out

After the Raiffeisen system was introduced among our farmers, they were released from the grip of the local storekeeper, and they were no longer obliged to buy from him fertilizer of an unknown quality, but they organized their own purchasing bureau through which they obtained direct from the factory fertilizer which had been tested by the local state experiment station. Moreover, they received credit for 6 months, and even a year, paying only 6 per cent interest for it. They obtained seeds from reliable seed houses which were true to their variety and quality. They purchased implements at wholesale prices direct from the manufacturer.

In some parts of New York state the farmers found difficulty in obtaining fire insurance, and were obliged to pay exorbitant rates. Having learned the advantages of coöperation, they decided to apply the principle of the credit union to this problem. They thereupon organized their own mutual fire insurance company, and the cost was reduced to a minimum. At the end of 9 months they had written insurance policies amounting to $654,000, the average rate to the farmer being 10 cents a hundred—which compares favorably with the old rate of $4 per hundred, charged by the independent companies. The fire loss during the first year was less than $1,000. It was estimated that the saving to the Jewish farmers who were connected with the mutual fire insurance company is not less than $35,000 in one year. Besides, the other farmers in the neighborhood obtained lower rates from the independent companies which felt the brunt of competition.

Whipping the Milk Dealers.

In another locality the farmers had difficulty with the milk dealers, who generally cut down the price of milk in the summer, and thus robbed the farmer of the little profit he can make while the cows are in pasture. Our farmers organized themselves together with their native neighbors, and for a week they started a "lockout" and refused to sell milk to the dealers. They even spilled the milk over the field. At the end of a week a settlement was reached, and the farmers are now getting 5 cents a quart the whole year round. In another locality they even went a step further. They organized a coöperative creamery and opened an agency in New York which receives the product fresh every day and delivers it direct to the consumers. Their motto is: "From the producer to the consumer." Eggs are also handled in the same manner. At the end of the year the profits will be divided as follows: 50 per cent to the farmer, 25 per cent to the consumer, and 25 per cent to a fund to be used for emergency needs and for the encouragement of coöperation.

While our Jewish farmers have organized their purchasing agency more or less satisfactorily, their selling agency is not yet developed, first, because our people are rather scattered, but secondly, and mainly, because their products are not standardized; and this is a problem which is hard to solve for all groups or individuals.

Caring For Women's Interests

The women on the farms were not left out of consideration. In many places the local societies organized Jewish ladies' auxiliaries to help make the lot of the women on the farm more contented. Many a promising farm has to be sold because the women on it find rural life too monotonous, too barren, devoid of all amusement and recreation necessary to offset the day's drudgery. Many a young man has to relinquish a hopeful agricultural career because he cannot find a mate who would cast her lot with him on a dreary farm. These ladies' auxiliaries are, therefore, a blessing to the farmer and his family. We must admit that the women on the farms in this country have been neglected, and it is gratifying to note that our department of agriculture has established a rural organization service which is doing much towards brightening the lives of the women on the farm.

Some people contend that farm credit differs essentially from commercial credit; that the period of repayment of the loan must be longer; and that the farmer cannot make his turnover as quickly as can the merchant. While this is true as far as the long-term loans are concerned, it is not necessarily so with the short-term loans. In 13 months the 17 credit unions, with a capital of $26,169.63, including the money which we advanced, loaned out $73,624.66. In other words, their capital made a turnover of 3 times in a little over a year.

I wish to touch upon one more important point. Where we introduced our credit unions the local banker was in no way hurt, but on the contrary, he has profited by it. Farmers who never knew the significance of a bank account learned its advantages and have increased the business of the banks to a great extent.

Legislation a Vital Need

In conclusion I would say that the most important step necessary to further the movement of the agricultural coöperative credit unions in this country is the enactment of proper laws in the different states, and legalizing of their incorporation. I am glad to note that several of the states have already taken steps to amend their state laws so as to legalize the incorporation of credit unions. Our credit union in Massachusetts has the distinction of being the first in that state, and as a matter of fact, the first legally authorized credit union among farmers in the United States. Our 8 credit unions in New York have already taken steps to incorporate under the new law recently passed by their state legislature.

Furthermore, we need proper leadership. We need leaders, not from above, but from within. We need leaders in whom the farmers have confidence and whom they can follow. Thus, our young graduates from the colleges can do much for our farmers and the country at large.

Finally, the federal and state governments should throw off their fear of "paternalism" and "class legislation," and should treat the farmers as they treat the bankers and other legitimate businesses. After the proper laws have been adopted they should take, at least in the beginning, the leadership and initiative in establishing rural banks, and if necessary, in subsidizing these banks, for a time at least, so as to bring to the farmers, and through them to the country at large, immediate relief and to demonstrate the practicability of modern rural financing. We will then have developed a greater nation, built upon the foundation of sound rural financing.

What our society could accomplish with strangers in a strange land, and under adverse conditions, what could not be achieved by the American farmers under proper guidance?

THE RELATION OF THE FARMER TO THE TRUST QUESTION*

SAMUEL UNTERMYER

I expressed to your secretary my hesitation in accepting your invitation to address you on the ground that my views on the topic on which you have asked me to speak are likely to prove unacceptable to many of the members of this Conference. He assured me, however, that the purpose of the meeting was to be instructed upon all aspects of the questions involved and that you are not wedded to any given point of view. I am accordingly here to speak very frankly.

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*Delivered before the second National Conference on Marketing and Farm Credits at Chicago, in April, 1914, in joint program with the Western Economic Society.

The relation of the farmer to the trust question is of course one of the most direct personal and pecuniary interest and concern. If it can be made possible by the enforcement of existing law or by supplementary legislation to restore and maintain the free flow of normal competition and to so regulate it by law as to prevent unfair and ruinous competition, the farmer will share with the rest of the community in the benefits that should flow from the reduced cost of living.

It is not however with the relation that the farmer *should bear* to the trust question nor with his relation to the question as a consumer that I care particularly to deal. There is no occasion for extended discussion on that point. There can be no doubt as to what that relation *should be*. As the chief consumer of the country, it is manifestly in his interest that the value of everything he buys shall be fixed in an open and stable market where there will be no opportunity to levy tribute upon him. Ruinous cutthroat competition is no more in his interest or in that of any other class of the consumer community than is monopoly. It is an economic curse. It disturbs the natural currents of trade, leads to spasmodic periods of over-production and under-production and consequent instability of prices and is the high road to monopoly. It is quite as important to regulate competition as to suppress monopolies and trusts.

The questions for discussion may be stated thus:

What is the real attitude of the farmer *as a producer* to the trust question? Is it just sincere, consistent or public spirited. What *should be* his attitude both in his own interest and as a citizen? To these questions I answer, and shall endeavor to prove, that his attitude is unjust, inconsistent and unwise.

This broad indictment is based upon (1) the drastic character of the anti-trust laws in the farming states as applied to all forms of induetry other than farming; (2) the exemptions that have been engraften upon these laws in favor of the farmers; (3) the failure to enforce the laws against them in states in which the exemptions do not exist; (4) the attitude of their representatives in Congress and (5) the many open violations of the federal anti-trust law that exist by sufferance in the various forms of pooling and selling arrangements among the farmers in the different sections of the country.

When Coöperative Laws Are Discriminatory

As illustrating these unfair discriminatory laws, that are sometimes cloaked under the euphonious disguise of "Coöperative laws for Marketing Farm Products," the Kentucky act of 1906 expressly exempts the growers of wheat, corn, oats, hay, tobacco and other farm products from the operation of its anti-trust statute and legalizes pools and selling agencies in the farm products.

In California in 1907, and again in Colorado in 1913, laws were passed expressly authorizing pools, combinations and agreements that would permit of reasonable profits through coöperation and the elimination of competition.

The license to discriminate in the enforcement of the federal anti-trust law in favor of the farmers is impliedly involved in the rider that was attached to the $300,000 appropriation of 1913 for the enforcement of the Sherman law, by the terms of which the attorney general is forbidden to apply any part of the fund in the prosecution of—

> (b) Producers of farm products and associations of farmers who coöperate and organize in an effort to and for the purpose of obtaining and maintaining a fair and reasonable price for their product.

It is common knowledge that price-fixing agreements in the form of selling agencies are in active operation in intrastate and interstate commerce in farm products all over the country, of which those in cotton and fruits are conspicuous examples. In a few staples, of which that of the cranberry growers is the most generally cited, a virtual monopoly is maintained in the form of a common selling agency which exacts for the growers whatever price they see fit to fix.

In none of the states in which these combinations (all of which are within the condemnation of the Sherman law) are expressly legalized and exempted from the operation of the state anti-trust law, is there provision for their regulation by public authority. In none of them is any relief provided against their levying undue tribute except in the vague requirement that the combination may exact only reasonable profits—whatever that may mean in the absence of an executive body to protect the public.

The country is honeycombed with these pools, trade agreements and gentlemen's understandings under cover of selling agencies, trade associations, social clubs, information bureaus and innumerable other disguises embracing most of the departments of trade and industry. Every now and then the government pounces upon some unfortunate industry, like the members of the wire, window glass, turpentine, bath-tub, straw-board, wood-pulp and wrapping paper pools, in a spasmodic and haphazard fashion, selecting its victims at random, collects fines from the little fellows and sometimes—generally unsuccessfully—tries to send them to jail—only to find them getting together again after the storm has blown over, but in a more elusive form as the result of their expensive and uncomfortable experience.

We all know that the dealers in anthracite coal in the larger cities agree on rates every year, which are publicly announced. There is no such thing as competition between them and the anthracite coal trust would not tolerate it.

When in 1912 the government concluded to enjoin the western railroads from advancing their freight rates it found no difficulty in making proof of the agreement, which had been negotiated and effected in open convention. The same is true of the passenger rates and time schedules between the great trunk line systems that are supposed to be competitive. It is generally conceded that there is a substantial profit in the present price of steel rails. Is there any competition in the price of rails or of any of the other staples in the steel trade as between the different manufacturers? All these arrangements are in plain violation of the Sherman law. But does any federal official attempt to enforce the law?

Outlawry Logical Result of Unsound Economic Policy

These are the daily object-lessons that tend to make of us a lawless nation.

This anomalous condition of insubordination and defiance of law by our men of affairs to whom we look up as constituting our best and most enterprising citizenship is the inevitable outcome of an unsound and destructive economic policy, from the effects of which the farmers by reason of their vast political power, are seeking to exempt themselves whilst imposing that policy upon the rest of the country.

The only possible excuse for such a position on the part of the farmer is that he, as the most valuable and the greatest wealth-producing and least-protected element in our industrial life, is entitled to exemptions and immunities at the expense of the rest of the community.

It is not intended here to suggest that these trade arrangements should not be permitted under given restrictions. That question will be discussed later. But I insist that if they are to continue under the ban of the law, as they now are, that prohibition should be generally applicable to all industries, including that of the farmer.

There is no basic principle upon which any such exemption or discrimination can be justified. Why should the cotton growers be suffered to combine in the marketing of their product so as to regulate the price and output, whilst that right is denied to the manufacturers of cotton goods? Or why should not the coal operators have the same privilege? Why have the cranberry growers been openly permitted to maintain a selling agency in New York City through which about 90 per cent of the product of the entire country is handled, whilst the milk dealers are sent to prison for doing the same thing? Surely such unequal enforcement of the law cannot be in the public interest.

Where Farmers Are Inconsistent

The injustice and inconsistency of the farmers' attitude to which I have referred consist in his insistence on denying to every other industry the right of coöperation to restrict competition whilst he insists upon exemption for his own occupation and is seeking to punish as crimes when committed by other acts which when perpetrated by him are not considered as inimical to the public welfare.

It is difficult to see in the mental processes that can bring about such a result anything beyond the blindness of self-interest. It is not surprising that under such circumstances courts and juries refuse to enforce the criminal provisions of this statute unless they find proof of actual oppression or unfair business methods accompanying the technical violations of the law.

What, then, should the farmers in all fairness do in the circumstances? What should be their attitude to the trust question? What is the wise public policy? Is there any tenable ground on which they should be exempted from the general rule? Should all arrangements and devices for regulating prices and output between competitors, including those applying to their own business, be forbidden? Or should they all be permitted? If the latter, should such permission be within given limitations and what should they be? The answers to these questions point the only just way of approaching and seeking to solve this problem.

The discussion of this question involves only the various forms or temporary agreements and understandings between actual or potential competitors in a given industry, having for their purpose uniformity of price or regulation of output whether expressed through pools, selling agencies or otherwise. They are not usually in corporate form or represented by capital stock.

The proposal does not include any change in the existing program for dealing with the trusts and combinations that are in corporate form and with which the government and the courts have been mainly concerned except to render their prosecution and dissolution more effective. The impression that there has been anything like a general prosecution of unlawful combinations in the interstate commerce is a mistaken one. The suits that have begun are trivial in number and aggregate importance as compared with the known violations. They have been directed mainly against the more conspicuous consolidations that are in corporate form and the practical results have been negligible.

Government Regulation Can Protect Public

There are many reasons why the arguments for the suppression and extermination of these trusts should not apply to the pools, agreements, understandings and price-fixing and output-regulating devices, provided the latter are placed under rigid government regulation and restriction as to the terms and conditions of the agreement so as to effectively protect the public against all danger of extortion or oppression.

1. The latter do not involve stock watering, exploiting the investing public, change of ownership or closing of mills or factories.

2. There is not the same power or incentive to exact exorbitant prices; no excessive dividends are required to be earned on inflated capital to be used as a basis for unloading stocks at exaggerated prices and there is the constant peril of inviting new competition and thus disrupting the agreement.

3. The element of individuality is preserved; there is no permanency to the arrangement; each of the parties must continue to maintain his plant and selling force in condition to resume competition at any moment. He must accordingly avail himself of all new inventions.

4. There is a continuing competition in costs of production between the parties to the arrangement resulting in economy of manufacture and distribution and of general management, since each party secures the sole benefit of such economies.

5. There is not the inducement or opportunity for the acts of oppression that are practiced by the trusts in order to maintain their supremacy. The interests of the latter are permanently and indestructibly merged whilst under these temporary arrangements such acts of oppression are dangerous and unlikely. The friendly coöperators of today may be the bitter competitors of tomorrow.

6. They offer a means of escape from destructive competition without driving competitors to combination with all its attendant evils.

These arrangements should not, however, be longer tolerated in their present furtive unlawful form, whether they apply to the product of the farmer, the manufacturer or the middleman. They are a standing invitation to extortion and exploitation of the public and a menace to industrial freedom. There is only one way of exterminating them and that is by substituting in their place permissive public agreements that shall be subject to federal approval and supervision.

What to Do With Trusts

In dealing with the trusts an entirely different policy should be pursued. I favor their enforced dissolution and actual and complete segregation, as nearly as may be, into their original parts and the enactment of legislation that will ensure their being kept segregated. None of the plausible arguments that were urged in favor of their organization have materialized. The extermination of the vital element of individuality and the substitution of bigness and bureaucracy have more than counterbalanced their supposed advantages. They can hold their supremacy only when they virtually control the industry, and they can continue to control it only through unfair practices.

It is to be hoped that this vexatious problem of subduing and eliminating the trusts is in a fair way toward eventual solution and that we are at last within sight of industrial peace. True, little has yet been actually accomplished in the way of effective legislation, we are still as tightly as ever in the grip of the money trust and the laws now under consideration by Congress are as yet disappointing in that they do not adequately meet the situation. But the issues are framed in concrete form and I am encouraged to believe that the long struggle between big business and the people is happily nearing its end notwithstanding the reports of the past few days from Washington to the effect that comprehensive legislation is to be postponed until the next session.

The rumor is incredible. It would be the worst kind of political blunder and almost a national misfortune if after all this agitation and investigation there is to be further delay in the settlement of this question. The reason offered in favor of the proposed action is the most conclusive argument against it. The obvious dictates of business sense and political expediency require that the agitation be ended. That can be done only by the enactment of the necessary comprehensive legislation. The other method serves only to prolong the existing uncertainty, unless the party in power intends to abandon its program and violate its campaign pledges, which seems to be the hope of the interests that are now urging delay.

The same effort was made and the same "public sentiment" was sought to be manufactured when currency legislation was under consideration. Fortunately the scheme did not work and we now know how absurdly the effect on business of the then pending legislation was exaggerated for the purpose of defeating the reform. Surely we cannot be so blind as to fail to detect the same influences behind this demand.

If action is to be postponed the democratic anti-trust policy may as well be considered dead. Every congressional contest this autumn will be conducted on the plea that the election of the democratic candidates involves the reopening of the question, with its accompanying continuance of business unsettlement. It will also be urged that the party has no definite views on the subject and is incapable of framing intelligent legislation. These pleas cannot fail to be effective and may lead to the defeat of the party that frittered away its opportunity to settle this question. There is nothing to be gained and everything to be lost both to the business community and to the party by such a procrastinating policy.

Unless Congress now falters or permits its judgment to be beguiled by the same old false predictions of disaster that have so often in the past turned it from its plain path of duty into enacting mere palliatives instead of remedies we will soon have heard the last echoes of the conflict.

An Absurdly Unequal Contest

The contest seemed at one time hopelessly unequal. On one side are arrayed the most resourceful and powerfully entrenched interests the world has ever known, a magnificently trained army with colossal stakes to protect and the single fixed purpose to retain its vast special privileges at all costs; on the other hand nothing but the disorganized hosts, apparently working aimlessly and at cross-purposes in the effort to batter down this citadel of entrenched power.

The subject-matter of the contest is of exceeding intricacy and highly specialized, with well-nigh all the expert knowledge in the camp of the invaders upon the domain of industrial freedom. But the intuition of our people sooner or later penetrates beyond disguises and subterfuges into the economic truth of every proposition that affects them. It is an unfailing reliance and an endless source of wonder and admiration. We grope and blunder along in the darkness through difficult problems that we only half understand, but always into the light.

And so within an incredibly short time since we began to realize our peril we find ourselves well on the way toward the solution of this problem that only a few years ago threatened to overwhelm us, if the President and Congress can only resist the subterranean influences that are being exerted from every direction to end the struggle in a series of weak compromises resulting in colorless legislation that will settle nothing.

Curbing Money Trust the First Step

The first and an important step, but only one of many steps that we shall have to travel toward breaking the power of the money trust, has been accomplished in the enactment of the currency law. The money trust lies at the foundation of all our troubles with the trusts. It is the cornerstone upon which they rest. Its destruction is the only key to their solution. From it the other trusts and combinations radiate and on it they depend. They would disintegrate of their own topheaviness but for the menace to new competition and the shield and protection against such competition that the money trust provides.

Business cannot be liberated so long as it is overshadowed by this octopus. Competition will not rear its head to give battle to the entrenched interests that are under the protecting wing of the men who wield this destructive power. No overt act is necessary on their part. The mere existence of the power is a continuing threat. So long as they dominate the sources of credit and can terrorize every new venture so long will it continue useless to attempt the emancipation of business. Disintegration of existing combinations will not in itself solve the problem. It must be supplemented by new competition with fresh young blood and comparatively small beginnings. That is not possible whilst the present concentration of the control of credits continues in a few hands. All legislation must be directed primarily against its destruction and toward thus restoring freedom throughout the arteries of trade and finance.

Our present predicament is aptly described in the report of the house committee on banking and currency of 1913 now commonly known as the report of the Pujo committee, in the following words:

> "Far more dangerous than all that has happened to us in the past in the way of elimination of competition in industry is the control of credit through the domination of these groups over our banks and industries." * * *
>
> "Whether under a different currency system the resources in our banks would be greater or less is comparatively immaterial if they continue to be controlled by a small group." * * *
>
> "It is impossible that there should be competition with all the facilities for raising money or selling large issues of bonds in the hands of these few bankers and their partners and allies, who together dominate the financial policies of most of the existing systems. * * * The acts of this inner group, as here described, have been more destructive of competition than anything accomplished by the trusts, for they strike at the very vitals of potential competition in every industry that is under their protection, a condition which if permitted to continue, will render impossible all attempts to restore normal competitive conditions in the industrial world." * * *

> "If the arteries of credit now clogged well-nigh to choking by the obstructions created through the control of these groups are opened so that they may be permitted freely to play their important part in the financial system, competition in large enterprises will become possible and business can be conducted on its merits instead of being subjected to the tribute and the good will of this handful of self-constituted trustees of the national prosperity."

The democratic party is taunted on the one hand by the enemies of these reforms with unsettling business and shaking confidence in the stability of securities by the continued agitation of this subject. On the other hand the party is charged by the impatient radicals in its own ranks and in the ranks of the opposition parties with having made no headway toward destroying the existing dangerous conditions and that the various investigations and exposures that it has made have as yet no outcome other than the disturbance of business.

In answer to our insistence that the mad gallop into the abyss toward which we were furiously driving has at least been checked, that moral standards have been raised and many objectionable methods abandoned in the financial world as the preliminary results of this agitation, the radicals challenge us to point to any case in which the grip of the money trust has been relaxed or its power weakened and we are bound to concede that no such results have yet been achieved. But the ground has been cleared and all the preliminary work has been done.

Sighting Industrial Peace

The public at last knows the facts and realizes the evils. It has located and diagnosed the abuses that so long eluded discovery and is thoroughly aroused and determined to exterminate them. Therefore I say we are in sight of industrial peace, since there remains now only the question of applying the appropriate remedies.

We know that although our anti-trust law has been for 24 years upon the statute books in its present form, the evils it condemns have continuously grown and thrived until they have threatened the very existence of our institutions and that even now, when the law in its present form has been enforced to the limit of its capacity as the result of an insistent public sentiment, the practical results fail to meet our needs.

We know that the legal machinery furnished by the act is defective and that the violations cannot be effectively reached, abated and punished without supplementing that machinery. We realize that our laws for the regulation of corporations are archaic and inadequate. They were framed before we were alive to the abuses that are sapping our industrial independence and at a time when the power of the special interests dominated our legislative bodies and dictated our laws to suit their purposes. We know that under the blighting influence of these laws and because of the absence of the protection to which we were entitled there has been foisted upon business and finance this concentration of the control of the credits of the country in a few hands that has come to be known by the misleading name of the money trust and that has made these few men the masters of our financial destinies; that it has paralyzed initiative and destroyed independent action, that it constitutes today the most dangerous financial despotism the world has ever known and that if permitted to continue it will be destructive to our progress.

We recognize that in the train of these evils and as the result of this lawlessness, due to lack of law, have come corporate corruption, waste and irresponsibility that have blinded the moral perspective of the leaders and of their satelites in the financial world.

All these things we know; but we do not know and it is not conducive to our peace of mind that we should know the extent to which we have been and are still being ruled and exploited, for the patience even of our people has its limits. We are intensely practical and so, without harking back to the mistakes or misdeeds of the past or wasting our energies in trying to settle scores with those who have brought us to this plight, our faces are set to the future to find a remedy that shall be so effective and all-embracing that the wrongs shall be undone and their repetition in the future rendered impossible. The people are not in quest of punishment or revenge. With a remedy in sight they are content to let bygones be bygones and to proclaim a general amnesty as to the past.

Legislation Too Short-Sighted

The legislation now under consideration by Congress represents a constructive policy. The main criticism of it is that it does not go far enough on the constructive side in the regulation of competition in the direction to which I shall in conclusion now refer.

The only aspect of the pending legislation with which we have here to deal is that which relates to the various forms of coöperative arrangements for marketing the products of the farms, factories and other industries. Under the proposed legislation they remain under the ban of the law, are made more easily discoverable and are more severely punished. They include farm products, as they should, if the prohibition of such agreement is to continue to be the policy of the government. They include also organizations of labor, which I consider wrong. The statute was never intended to apply to them and there are other reasons that are to my mind conclusive in favor of their exclusion. But that is another story and one with which we are not now concerned.

Enforcement of Law Imminent

The time must soon come when with the aid of the Industrial Trade Commission the law, whatever it may be decided it shall be, will be generally and impartially enforced. This incredible situation of extending general immunity to the farmers to violate the law whilst they are demanding and securing its enforcement against the industrial world will not and should not be longer tolerated.

Agreements between competitors that have for their sole purpose the prevention of ruinous competition and the securing of a reasonable profit should be made possible and lawful in all industries, subject to the approval and regulation of the new trade commission for which provision is made in the pending legislation. No one need become a party to such an agreement unless he sees fit to do so but competitors should no longer be compelled to ruin themselves and one another under penalty of being branded and punished as criminals. They will not do it, law or no law. The instinct of self-preservation will prevent it. This perverse policy will simply result in making of us a nation of hypocrites and lawbreakers with a criminal code of honor in which nods and understandings will take the place of tell-tale writings. Every crossroads will have its ‘‘Gary dinners’’ at which ‘‘the state of the weather’’ will be the subject of discussion and which the law will never be able to reach.

Regulated Competition a Way Out

Unrestricted ruinous competition should be superseded by regulated competition. The former inevitably leads to monopoly. The latter does away with the oppression of weak competitors and with every vestige of pretext for combination. The distinction between coöperation and combination is fundamental. The former is distinctly beneficent if so supervised and restricted that the levying of tribute upon the public is prevented. The latter is economically unsound and oppressive.

Instead of the innumerable secret and unlawful arrangements that are now tolerated, under cover of which there is now taken from the people ''all that the traffic will bear'' it will be the duty of the parties to submit their agreement to the trade commission. The latter, with the aid of its expert accountants, will determine whether the conditions are reasonable and fair to the public, in the same way that the interstate commerce commission now determines the far more complicated question of rates. With such relief at hand public sentiment will support the rigid enforcement of the criminal law against all trusts and secret arrangements.

I offer, as I have for the past 5 years repeatedly offered this program as an answer to your question of what should be the relation of the farmer to the trust question. It enables the farmer to retire with honor from his now indefensible position of using the brute force of superior numbers and political power to perpetuate an act of glaring and unprecedented injustice upon every other industry, involving the most offensive form of class legislation, the constitutionality of which is subject to the gravest doubt.

This is his opportunity to solve the problem. Will he be sufficiently wise, just and far-seeing to grasp it?

COÖPERATION AT WORK*

W. M. Stickney
Of Lowell Hoit & Company, Chicago.

I take it that "Coöperation at Work" means getting down to business. It means the actual production or the actual buying and selling of commodities by coöperative organizations now in operation. If this brief outline is correct, then the topic is so broad that to touch it even here and there would take many hours and lead us into many countries.

It is not my intention, however, to tire your patience by threshing over too much of the straw which has been through the machine again and again. But no story of coöperation at work would be complete without some reference to the time and place where the practical ideas of industrial coöperation were first evolved, and where their application is now the marvel of the economic and social world. And neither would it be complete without at least a few hurried snapshots here and there to show the magnitude of this movement among the highly civilized nations of the earth.

I assume that the delegates of this Conference are familiar with the scope of coöperative work in Great Britain, Ireland and continental Europe. To me it is a marvelous story, and the more I study it the more I am convinced that coöperation is a new religion in the trade and barter and conduct of mankind. To me it is more interesting than all the records of battles and sieges. Kings and governments come and go, armies win and lose and leave little or nothing for posterity, but this struggle of men to live without oppression or penury, with some decency and opportunity, is really the only struggle worth thinking about, for it includes all others, and remains when others pass.

The Start in Toad Lane

Practical, common sense coöperative work began in a little old ramshackle building in a muddy street called Toad Lane, Rochdale, England, in 1844. Twenty-eight men, working in

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woolen mills for a wage that compelled them to live in poverty and destitution, made a solemn compact one gloomy November afternoon in 1843 to save 4 cents per week for one year, the money to be used to start some kind of an institution that would enable them to buy the actual necessities of life a little cheaper. These men were groping in the dark, but each man made good his contract, and after 12 months of self denial, saving a penny here and a penny there, they had in the treasury 28 pounds sterling, or $140. After renting the building mentioned and buying a few fixtures, they had $70 left to invest in a little sugar, a little pork, a little jam and a little oatmeal. And so the business was launched.

They formulated a set of rules, however, that has caused the world to make a beaten pathway to their door. These rules are today written wholly, or in part, in the by-laws of every strictly coöperative company no matter where it is organized, and they are also written into the coöperative incorporation laws of Wisconsin and other states. They are the commandments of this new religion in trade. They have revolutionized the business of empires and are slowly permeating every industry in the known world.

This was 70 years ago, and the Toad Lane venture is now the largest business institution known to mankind—The Wholesale & Retail Coöperative Societies of Great Britain. The second year of its operation, 1846, it did a business of $3,500, with a net profit of $120. In 1912 it did a business of $614,427,000, with a net profit of $66,446,520. These profits, after paying interest on the capital stock, were returned to the patrons on the basis of patronage, and all told this institution has returned to its members and patrons over $1,100,000,000. This would have made 1,100 millionaires had the business been operated for private gain.

This institution is both distributive and productive. Its wholesale houses and manufacturing plants are to be found in nearly every large city of England and Scotland. It owns the largest flouring mills in Great Britain, owns steamship lines, tea plantations in Ceylon, grain elevators in the Canadian Northwest—in fact, the sun never sets on the purchasing stations and other interests of this mighty coöperative enterprise. That *is* coöperation at work.

British Farmers Follow Lead

The farmers of Great Britain are now rapidly following the lead of the cities in coöperative organization. The British Agricultural Organization Society was formed in 1901 for the purpose of helping to organize new societies and instructing new and old ones in good business methods and intelligent management. There are about 500 coöperative societies among the farmers of Great Britain, with a membership of over 30,000, and doing an annual business of over $7,500,000. Many, if not all of them, do much business direct with the consumers' coöperative societies in the cities.

Germany Evolves Coöperation

Strange it may seem, but almost the same ideas were being evolved in Germany at the time the pioneers were organizing at Rochdale. Francis Frederick Schulze in Saxony and Frederick William Raiffeisen in Rhinish Prussia were laying plans in 1845–46 for starting coöperative bakeries and coöperative credit and purchasing associations among the people in their respective territories. Little was accomplished for a few years, and then the work grew almost, if not quite as rapidly as in Great Britain. In 1912 Germany had 28,141 coöperative organizations of various kinds, with a total membership of 4,579,740. Today the German farmers are so organized coöperatively that they are able to control all their agricultural operations from the purchase of everything which they wish to buy to the sale of their products to the consumer. In fact, almost everything which the German farmer does he does coöperatively, and this economic movement in the Empire has made a new Germany and brought prosperity, contentment and happiness where 60 years ago was poverty, destitution and discontent.

All Europe Turning Coöperative

What I have said of Great Britain and Germany is true in a measure of almost every country in Europe. Coöperation is at work everywhere. In France there are 2,975 coöperative organizations, with a membership of a little over 803,000, the annual business turnover being something like $55,000.000. In Switzerland there are something over 3,400 coöperative organizations, with a membership of practically the entire population.

Sweden has 3,362 coöperative societies of various kinds. Finland had but one coöperative society in 1901, and now has 1,100. Roumania has now about 2,100 coöperative credit associations, and 15 years ago there was not a coöperative institution in the country. Coöperation was unknown in Hungary in 1890, and today there are about 900 societies federated with a wholesale coöperative organization. Italy has a coöperative population of about 250,000, while Russia has 300,000 members of coöperative organizations. There are said to be over a half million members of coöperative societies in Austria, and more than 2,300 coöperative organizations in Holland.

A Light for Irish and Danish Farmers

In the coöperative marketing of farm products, Denmark and Ireland stand head and shoulders above all others in the brilliancy of their achievements and the permanency of results. Fifty years ago the farmers in both of these countries found themselves in a pitiable condition—worse than the farmers in any part of the United States ever were or ever dreamed of being. They were destitute, despondent and hopeless, and there was nothing but poverty in sight. Up to 1880 Danish and Irish farmers had gone along in the same old way—small farms, small crops, small prices, discontent, discouragement, discord, disease, degeneration and decay. But a few rare spirits saw a vision and became convinced that farmers must combine and work together in order to prosper individually. A coöperative creamery was organized at Olgod in Denmark in 1882, and now there are over 1,300 of these creameries, exporting over a million dollars worth of butter every week. Denmark has 36 coöperative bacon factories, 510 coöperative egg testing associations, 1,200 coöperative retail societies, 560 coöperative savings banks with deposits of over $215,000,000, also 519 cow testing associations and 1,260 cattle breeding associations. Denmark is about one-fourth the size of Illinois, and yet she exports annually over $90,000,000 worth of butter, eggs, cheese and meat! From poverty and destitution 40 years ago it has come to be the richest country per capita in Europe according to its population, and 89 out of every 100 families own their own homes. And we behold today a new Denmark!

And we behold a new Ireland. No country could possibly be in a more pitiable condition a few years ago, and yet today Ireland is commencing to blossom like a rose. In many parts it is said to be as rich and prosperous now as the best portion of our own great Middle West. And this great regeneration has come about through the efforts of a band of coöperative missionaries—Sir Horace Plunkett, a nobleman, Mr. R. A. Anderson, a farmer, Mr. George W. Russell, the brilliant editor of the Irish Homestead, and Rev. Father Thomas A. Finlay, professor of economics in the National University of Dublin. Each of these has been preaching the gospel of coöperation over Ireland during the last 20 years. It took 50 meetings, covering a period of more than a year, before these missionaries could get the farmers to organize a creamery. The first one was established in Limerick in 1889. It was a year before another one started. Today Ireland has nearly 500 coöperative creameries, 980 coöperative societies all told, with a paid-up capital of over a million dollars and an annual turnover of something like $12,000,000. And so we are told that the salvation of Ireland is being worked out by a big coöperative scheme in which local societies, the wholesale society, the agricultural department of the government, the Irish Agricultural Organization Society, the Irish Homestead and the society of United Irish Women are all playing important parts. *This is coöperation at work.*

Coöperation in Canada

It is said there are about 2,000 coöperative organizations in Canada, the larger per cent of them being among the producers of 3 of the northwest provinces. The Manitoba Grain Growers' Grain Association now has a membership of 12,000 farmers and more than 300 local associations; the Saskatchewan Grain Growers' Association has a membership of 25,000 farmers, with more than 600 local associations; the United Farmers of Alberta has 15,000 farmer stockholders and over 500 local associations.

In each of these 3 provinces there is also a coöperative elevator company, organized for the purpose of looking after the marketing of grain at terminals and also direct to the consumers. The Grain Growers' Grain Company, with headquarters at Winnipeg, was organized 6 years ago. It now has over 14,000 farmer stockholders, a subscribed capital stock of $809,950, of which $645,361 is paid in. It has paid a 10 per cent dividend every year since it has been in business, and now has a surplus above all indebtedness of $183,000. It handled 30,000,000 bushels of grain last year, and did a business amounting to $60,000,000. It operates an elevator at Vancouver, a terminal elevator at Fort William, a large flouring mill with an output of 2,500 barrels a day, together with several other industries. It owns a newspaper called the *Grain Growers' Guide*, a large printing establishment, and a seat on the Winnipeg Grain Exchange. I quote the following from a letter received yesterday, written by the editor and manager of the *Grain Growers' Guide*. Speaking of the Grain Growers' Grain Company, he said:

> "To show you how the farmers look upon the company I might state that since November last the paid-up capital of the company has increased by $125,000, sent in by the farmers themselves. The Grain Growers' Grain Company has been a huge success since the day of its inception, and has resulted in forcing every other grain company in Western Canada to give better service to the farmers and better prices. It is no exaggeration to say that the farmers of Western Canada everywhere are today securing at least 5 cents per bushel more for their wheat than they would without the Grain Growers' Grain Company in the field.
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> "Aside from the grain business the Grain Growers' Grain Company has performed a tremendous service by opening a coöperative department through which it supplies lumber, fence wire, apples, fence posts, flour, feed, binder-twine and coal to farmers in carlots. The result has been, a great lowering in the price of these commodities.
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> "The Grain Growers' Grain Company is the chief factor in the great revolution which is now taking place in Western Canadian trade methods."

Government Aid to Canadian Coöperators

"In 1911 the Saskatchewan Coöperative Elevator Company was launched. The government of Saskatchewan assisted the farmers to secure the necessary capital at a low rate of interest, but the control and operation of the company is entirely in the hands of the farmers. None but farmers may hold stock, no farmer more than 10 shares, and no shareholder has more than 1 vote at a shareholders' meeting. Thus the control of the company must remain always with the farmers. This company in the short course of its existence has erected 200 modern elevators through Saskatchewan, and thus provided its farmer shareholders with an independent avenue through which to place their grain upon the markets of the world. The paid-up capital of the Saskatchewan Coöperative Elevator Company is now over $350,000, its total assets $1,709,487.57, and it has 13,156 shareholders. During the 2 years of its operation the company has handled nearly 30,000,000 bushels of the farmers' grain and its total profits have been over $220,000.

"In 1912 the farmers of Alberta organized the Alberta Farmers' Coöperative Elevator Company. The government of Alberta also assisted the farmers of that province in establishing their own company, by enabling them to borrow the larger portion of their capital at a low rate of interest, but has no voice in the control or operation of the company. As with the other 2 companies, the shareholders in the Alberta company must always be farmers. The shares of this company are $60 each, no shareholder can hold more than 20 shares, and no shareholder has more than one vote at any shareholders' meeting. Thus the control is vested forever in the farmers. Though less than a year in operation, the Alberta Farmers' Coöperative Elevator Company has erected and is now operating 50 elevators in that province, and has 5,165 shareholders. The paid-up capital is nearly $100,000 and the total assets $430,000. During the present grain season the company has handled 3,500,000 bushels of grain. Alongside each elevator is erected a warehouse for the handling of other commodities on the coöperative plan.

"This brief story gives an idea of the magnitude of the business operations of the organized farmers of Manitoba, Saskatchewan and Alberta. During the present grain season they will handle through their own companies with 48,000,000 to 50,000,000 bushels of grain, and in addition to securing much better prices for their farmer shareholders than they could have secured the old monopoly system, they will undoubtedly have a net profit of $400,000. This money will not be used to enrich a few, but will be devoted to an extension of their operations in the grain business as well as in other fields, and in the prosecution of educational work and organization for the improvement of agricultural conditions. It is the aim of the organized farmers to extend their operations until every farmer is a shareholder, all the grain is shipped through their own companies and also eventually to handle for their shareholders a large line of staple commodities."

These are a few snapshots of coöperation at work in other lands. The reports of our consular officers show that coöperation at work is a success in every country in Europe. I have searched the records in vain to find a country where it has been tried and failed. The idea is broadening under every flag, and it is said today that more than 60,000,000 people in Great Britain, Ireland, continental Europe, Asia and America are directly interested in coöperative production and distribution.

America Slow to Adopt Coöperation

It may appear to some that we here in America have been a little slow in taking up coöperative work. It must be remembered, however, that this is practically a new country, with a territory equal to Great Britain, Ireland and continental Europe combined. Even here in the Mississippi valley men still live who braved the dangers and hardships of pioneer life in helping to push westward the frontier of civilization to the foothills of the Rockies. The ground upon which Chicago is now built was largely a swampy marsh within the memory of men living today. The pioneers who settled this western country were very busy men, looking after drainage and fencing, building cities and railroads, establishing churches and schools, and the work accomplished during the last 75 years might easily be considered one of the wonders of the world.

It is, therefore, but natural that coöperation as we know it, was for a time neglected. There has been a mighty awakening, however, within the last few years, and the American people are today brought face to face with the problem of a more economic distribution of all the products that come from factory, farm and mine. This is the problem which brings the delegates of this conference together, and it is a question of vital importance to more than 100,000,000 people in the United States. Some of us, millions of us, believe that it can be brought about through a phase of economic and social development which is called *Coöperation.*

Survey of American Movement

There are said to be in this country something like 540 coöperative stores, 580 coöperative cheese factories, 1,800 or more coöperative cotton warehouses, 2,100 coöperative insurance companies, 2,250 coöperative creameries, and 2,900 coöperative grain elevator companies. This, of course, is but a partial list, as the United States Agricultural Department gives out the information that there are in the United States something over 60,000 coöperative organizations all told.

The coöperative idea has spread rapidly over the grain belt states of the Middle West during the last 10 years I have been in personal touch with this phase of coöperation at work, and it would seem appropriate to give a brief description of what has been accomplished. It would be impossible for me to describe this economic movement, however, if I were confined to those organizations which are purely coöperative. Many of the associations which I shall mention are stock companies incorporated under the regular incorporation laws of the states in which they are located. Three or 4 states only, where there are any considerable number of farmer grain organizations, have a coöperative incorporation law. In the other states a few of the companies are conducting their business on a coöperative basis, but are doing so through a "gentleman's agreement," or by contract. It is readily seen, therefore, that quite a percentage must still use the capitalistic form of incorporation or stay out of business. Efforts were made 2 years ago to enact a coöperative incorporation law in Illinois and also in Iowa, but they failed, possibly on account of the large number of old school politicians who still inhabit the legislatures of these commonwealths. But the handwriting is on the wall, and the time is certainly not far distant when every state will have a coöperative law similar to the one which Wisconsin passed in 1912, and which Indiana, Washington and New York enacted a few months ago.

Progress in Illinois

Illinois has about 340 prosperous coöperative grain companies today where 10 years ago there were not over 22, and 15 to 20 new ones are being organized every year. The financial gain to the producers of this state has been enormous. Illinois raises not far from 500,000,000 bushels of grain each year, and probably sells about 300,000,000 bushels. Conservative men estimate that this movement among the farmers of Illinois, commencing in 1902, has been the means of raising the price of grain at least 3 cents per bushel over the entire state. That is, the farmer is receiving 3 cents per bushel more for his grain that he would if there were no coöperative elevator companies in the state, and 3 cents a bushel on 300,000,000 bushels of grain means that $9,000,000 are left in the pockets of the Illinois farmers that would have been lost either in distribution or otherwise. These figures do not include the profit on the coal handled by the farmer companies, and it is said that the retail price of this article has been reduced from 50 cents to $1 per ton. Many of them handle lumber, and the price of this commodity has been reduced from $2 to $10 per thousand. Many handle building material, and there has been a substantial reduction in the price of these commodities. *This is also coöperation at work.*

And this is not all the story. A permanent advance of 3 cents per bushel in grain to the farmer means that at least $5 or more is added to the value of every acre of land where these conditions obtain. It means added value to every item of property of every kind in every community where there is a coöperative company. No one can safely estimate and but few can comprehend the enormous benefits that have been derived from this coöperative movement among the farmers of Illinois and other grain belt states during the last 10 years.

The story of Illinois is the story of Iowa, and in a large measure it is the story of South Dakota, Minnesota, North Dakota, Nebraska, and Kansas. Twelve years ago Iowa had less than 25 coöperative elevator companies, and today she has 360, Nebraska has something over 200, South Dakota about 225, Minnesota 260, North Dakota 285, and Kansas about 150. All have state associations of which the local companies are members, and all are working hand in hand for a greater measure of coöperation.

There are also numerous coöperative grain companies scattered over Indiana, Ohio, Michigan, Wisconsin, Oregon, Oklahoma and Missouri. All told there are said to be over 2,900 of these organizations in the United States, with at least 375,000 stockholders. These companies are said to have an investment of $30,000,000 and do an annual business of over $600,000,000.

Careful men estimate that the grain growers of the Middle West are receiving a profit of at least $50,000,000 each year, due entirely to their organizations—that is, they are receiving enough more for their grain and buying their coal, lumber and other farm supplies enough cheaper to equal this amount. Say it is but $25,000,000 and still you have an enormous sum.

But by far a greater benefit than the monetary side has come to the people of the grain belt states. Everybody is becoming a student of coöperation. We think this spirit is of vastly more benefit than the 25 or 50 millions of dollars. To be sure, the financial must go hand in hand with that larger benefit, but somehow and in someway a very wonderful change has come about.

Few Failures in Grain Movement

And these farmer grain organizations are a financial success. I venture the assertion that there is a smaller percentage of failures among these companies in the Middle West than there is in any other business, occupation or profession. I am familiar with the situation in Illinois and Iowa, where there are about 700 farmer companies, and I do not know of more than 4 or 5 organizations that have gone out of business during the last 10 years. Not over 1 or 2 of these were failures, the others having discontinued business on account of local conditions. This is a record to be proud of considering the opposition with which they have had to contend. In nearly every instance a coöperative grain company has had to fight its way into existence, and then fight afterwards for its very life. But this is history. Everywhere coöperation has always been assailed by men who fatten on the evils which others are trying to correct.

The annual convention of each state Farmers' Grain Dealers' Association is held during the winter months. Every farmer, every man connected with local companies, and everyone interested in the principles of coöperation is invited and urged to attend. Printed programs are arranged and distributed over the state weeks before the convention meets. The best speakers that can be secured are engaged to deliver addresses on seeds, soils, grain raising and marketing, intensive farming, and on every topic pertaining to coöperative advancement. These conventions are usually in session for 2 or 3 days, and the attendance often reaches the 2,000 mark.

The Social Element Finds Free Play

At the annual stockholders' meeting of each of these local companies a speaker is usually secured to address the farmers on coöperative marketing and the science of agriculture. If these meetings happen to be held in the winter an indoor picnic dinner is often served in the town hall by the farmers' wives. The business session of the corporation is held in the forenoon, and after dinner there is generally a program of music, recitations and addresses. During the summer and early fall hundreds of "farmer elevator picnics" are held. The programs consist of games, music and addresses on the topics most interesting to the family on the farm.

It is these thousands of gatherings every year, together with the business experience acquired in conducting the affairs of a corporation that are making the farmer a leader in the progress of the West. In fact, so progressive has he become that he now owns his trade paper, *The American Coöperative Journal,* which is the official organ of the farmers' movement in all the grain belt states.

What Will Future Bring?

Will the producers be satisfied with what they have already accomplished? Civilization cannot stand still. and it must not go back. In 1908, George W. Perkins, in an address to the students of Columbia University, said: "It is almost heresy to say that competition is no longer the life of trade, but such has come to be the fact. The spirit of coöperation is upon us. It must of necessity be the next great form of business development and progress."

Addressing the delegates of the National Grain Dealers' Association at their annual meeting in Cincinnati, October 3rd, 1907, Honorable Martin A. Knapp, then chairman of the Interstate Commerce Commission and recently chief justice of the commerce court, said: "I am one of those dreamers who believe that the conditions of our modern life, brought about by our marvelous systems of transportation and communication, are not and cannot be adjusted to the theory that competition is the life of trade. I believe that somehow and in some way we shall and must find a method of transferring our whole industrial and transportation agencies from a competitive to a coöperative basis."

These are largely my sentiments, and I believe, too, that the future of agriculture in America depends largely on the future of this economic and social movement. No intelligent man would think of belittling the great work of our agricultural colleges and experiment stations. They have performed a marvelous service to mankind, and yet this coöperative movement among the fruit and grain growers of the West, and the cotton planters of the South, has done as much to make agriculture a science and a profession as all other forces combined. Theodore Roosevelt recognized the importance of this work when, on May 31, 1907, speaking at Lansing, Michigan, on the anniversary of the founding of the first agricultural college in the United States, he said: "A vast field is open for work by coöperative associations of farmers in dealing with the relations of the farm to transportation and to the distribution and manufacture of raw materials. It is only through such combinations that American farmers can develop to the full their social and economic power."

The producers have so far done their part in the readjustment of economic conditions. They cannot, however, do for the consumer what he must do for himself. Coöperative organizations—fruit growers, creameries, cheese factories, grain growers and vegetable growers—are waiting and ready to do business direct with coöperative organizations of consumers. Therefore, Mr. Consumer, in the parlance of the street, "It is up to you."

Join Producer With Consumer Through Coöperation

And here I reach the boundary line beyond which is forbidden ground. But perhaps I may say that producers' coöperative organizations in the country and the consumers' coöperative organizations in the cities have so far helped each other never a whit. Consumers are not sufficiently organized in American cities to constitute a buying power—in fact, they are not organized at all. Here, in my estimation, is the key to the economic side of this entire marketing problem. One hundred coöperative grocery markets in Chicago, or any large city, under one management, would have a buying power, which, together with a more economic distribution, would reduce the cost of table necessities at least 20 per cent, and would guarantee a fair price to every producers' organization with which it did business.

If this Conference will center all its influence and ingenuity for a time on the organization of coöperative associations of consumers in the cities in order that they may work directly with coöperative organizations of producers, I believe it will accomplish far more good than it can in any other way. Now is the time to act. Give coöperative marketing and the general principles of coöperation the stamp of approval, and then let us concentrate our energies upon the working out of some specific proposition. Coöperation in America is no doubt in the kindergarten stage. Other generations will see unfold that greater development which we now can only picture, but it is our duty to prepare the soil for the harvest in the years to come, and "shame and disgrace will be ours if in our eyes the light of high resolve is dimmed."

MARKETING THE FARM PRODUCT.

UNIV. OF CALIFORNIA

THE ECONOMICS OF AGRICULTURE

Carl Schurz Vrooman

Assistant Secretary, The United States Department of Agriculture

"Agricultural economics," the topic assigned to me, is a pretty broad topic. It is not only broad, but long and deep—so big a subject indeed that it gives me a lot of leeway in speaking to you this morning—which I mean to take. In this regard I am a bit like Napoleon Bonaparte is said to have been in the matter of a treaty which he had under consideration. One of his secretaries came to him and said, "Sire, there is an ambiguity in this document. I think we had better have it re-written." "Leave it as it is," said Napoleon, "or, if you are not sure that the ambiguity is there, put one in. We may need it some time." I like the breadth of this subject because it gives me a chance to talk about most anything.

Indeed, one or two points have occurred to me within the last hour that seem to me to be more important just now than any of the strictly agricultural economic questions, even more important just now than anything I might say to you on the question of marketing, though that is important indeed, and will be discussed in due order.

The annual agricultural output of this country is about 10 billion dollars. We hear a good deal about "big business" these days, but agriculture is the biggest business of all. And mind you this 10 billion dollars is merely the price the farmer gets. What it costs the consumer, heaven only knows! Now the transportation of 10 million dollars' worth of products is no small matter. What it costs very vitally concerns both producer and consumer. Even the cost of railroad transportation under ordinary conditions is a serious matter, though I have read some very laboriously written documents written to prove the contrary. But now I want to call your attention to some freight rates that make the most extortionate railroad freight rates pale into negligibility.

A Real Marketing Problem

Under normal conditions the average cost of transporting a bushel of wheat from New York to Liverpool is 4 or 5 cents. For the past year the cost of transporting a bushel of wheat from

New York to Liverpool has averaged over 40 cents, an increase of over 1,000 per cent. There is a marketing problem for you.

Of course, no department of this country has direct control over freight rates on the high seas, but the administration has proposed a plan embodied in the so-called McAdoo Shipping Bill for enabling this country to secure an indirect control over such rates and to give it a free hand in shipping its products to foreign markets. I want every person here this morning to realize how significant this bill is to the farmer and business man of this country, as well as to all American citizens, no matter what their business, for this bill not only provides for the rehabilitation of the American merchant marine as a power in peace, but also carries a provision which is of the utmost importance from a naval standpoint, namely, that all the ships to be built or acquired by the government under this act shall be available as naval auxiliaries in time of war.

We are told by some people that we do not need to do this; that private industry and initiative will take care of the shipping problem. We have heard this for 50 years, and private industry has done nothing about it. Last year the administration asked Congress to appropriate $45,000,000 for the purpose of buying or building a federal merchant marine to help dispose of our products to foreign countries; but that bill was defeated by a persistent filibuster, and during the year just passed the American people have probably lost more than $45,000,000 through excessive freight rates or the lack of ships to carry their products to foreign markets. If this measure had passed, we might have saved in one year more than the entire cost of the fleet contemplated. Take the matter of cotton. The cost of transporting cotton from New York to Liverpool has gone up 700 per cent, and yet there are business men in this country who take their cue from shipping interests located in New York and in foreign capitals, and ignore the primary necessity of the business of this country, namely, that we be able to carry our products to the markets of the world without paying extortionate transportation charges.

America Weak on Shipping Matters

Our complete dependence upon the ships of other nations to carry our produce to foreign markets has long put us in an inexcusably weak and humiliating position. It was estimated by the congressional committee on merchant marine and fisheries that this country pays annually between 200 million and 300 million dollars to foreign ships for carrying American freight. Ninety-two per cent of our ocean-borne freight is carried in foreign bottoms. We cannot at one stroke extricate ourselves from our present economic dependence upon foreign ship owners. The most we can do is to launch a new American shipping policy at once, and then push that until our independence in ocean transportation is achieved.

There are 2 possible ways of achieving this independence; either by granting generous subsidies of the people's money to various private shipping concerns, or by taking federal money and building or buying a fleet of merchant vessels to be owned by the federal government and either leased to shipping corporations or operated by the government itself.

The first plan, of building up a merchant marine by subvention or subsidy, had the energetic support of various past administrations, but so bitterly and so persistently have the people of the country been opposed to this form of paternalism, that these measures have uniformly been defeated. Unquestionably, if we are to build up a merchant marine, it must be by some other method. The McAdoo Shipping Bill is the only bill yet proposed that is based upon sound economics, common sense and common justice, and it is the only bill that stands any chance of passage by this Congress. Since its defeat at the last session of Congress it has been carefully revised and improved in a number of essential particulars. If you want reasonable freight rates, and adequate shipping facilities, get behind this administration's shipping bill. But if you like to pay 1,000 per cent increase on your freight rates, that is your privilege.

Congress and the Grain Inspection Bill

Another bill coming up before Congress deals with the question of grain inspection. I am a believer in a national system of federal inspection, but I have looked into the matter very carefully and talked with some leading congressmen and senators and others, and my very decided impression is that it will be impossible during the next session to get through a bill providing for a complete federal inspection system, the kind I would like to see. But it will be possible, probably, if the friends of this movement get behind it, to put forward a federal supervision bill like the Moss bill. That is a step in the right direction; a very large and important step. It does not go the whole distance, but it goes a part of the way, and as business men, as men who want to make some progress this year, and who hope to make more progress next year, let's take this up and get the very best bill we are capable of getting in the interest of grain standardization on a rational and just basis.

You know as well as I do, that the present Interstate Commerce Commission is the result of a long series of congressional enactments, which gradually worked out the present system of federal regulation of railways. It would have been very nice if we could have gotten the whole thing at one jump, but, unfortunately, we are not built that way. We have to feel our way a step at a time and gradually perfect our legislation. And, therefore, I hope that those of you who like myself are in favor of federal inspection of grain, when you talk with your congressmen or senators, will say to them, "If you can't get a complete bill according to the plans and specifications which we think are the correct ones, and can get one which will incorporate some of the things we are fighting for, get it, and we will have a basis to work on."

The United States Department of Agriculture is as interested as you are in this great marketing problem. The federal department up to the last 3 years did very little with regard to marketing problems, just as the state agricultural colleges of the country paid very little attention to marketing problems until very recently. But a couple of years ago Congress passed a law providing money for the creation of an "Office of Markets and Rural Organization" in the department of agriculture, and since then the department has been working hard upon a variety of problems in agricultural economics, among them taking up most of the problems of marketing that you have been dealing with at this Congress.

The farmers of the country are suffering from a stiff and cumbersome system of distribution. Part and parcel with this general problem of distribution, or intimately related to it, are a whole brood of economic problems, each of which is of vital concern to the American farmer: The problem of how to grade farm products so as to get the highest price for the entire output; the problem of how properly to pack and brand the shipments; of how to select markets and make shipments; of how to sell to the best advantage; of how to sell coöperatively with other farmers; of how to buy coöperatively; of how to get better credit through coöperative effort—these are some of the problems that must be solved before we can boast that our agriculture is on a sound economic basis.

New Forces at Work in Agriculture

The legacy of the century past to agriculture has been agronomy—a vast but largely undigested and uncoördinated mass of information about how to grow things. Within the past 2 years there have been set in motion the forces that will, we believe, liberate to the farmers of the country this mass of largely inert knowledge and make it available for practical use. In those 2 years 2 things have been done by Congress which to my mind are equal in importance to all the other things that it has done for agriculture in the 50 years past: The passage of the Smith-Lever Bill and the creation of the office of markets and rural organization.

The Smith-Lever law virtually means the appointment of a deputy secretary of agriculture for each county in this land. It means that the department has at last got into personal touch with the farmers themselves. The creation of the office of markets and rural organization means that the department has at last ceased to focus all its vast energies upon problems of production and is henceforth going to cope as successfully with the equally important problems of distribution.

The woof to the warp of the marketing question is the problem of rural coöperation. The spread of the coöperative movement through the Middle West and on the Pacific coast has been encouraging, but there are many difficulties that must be surmounted before the coöperative movement can have a free hand. For one thing the laws of many of our states are such as to impose unjust restrictions upon such organizations. Then too, this is a very individualistic country, and it is a difficult matter to get the people to do team work for the common good. You cannot make a rope out of loose grains of sand. Unless the farmers of this country support coöperation we shall not have coöperation.

Policy of Government to Aid Coöperation

The department is doing its utmost to foster the coöperative movement and to put it on a sound economic basis. We are trying to impress upon the farmers of this country the fact that the man who is too suspicious and short-sighted to coöperate with his neighbors in the pursuit of a common end, is going to be the loser in the long run. We are working along this line in all parts of the country.

We find that in some localities the farmers are responding magnificently to this new movement, and in other localities they are not. And hence we are telling our county agents and our other men who go throughout the country that they must imbue the farmer with the spirit of coöperation. It is folly for us to dream beautiful dreams of national economic and social efficiency, unless we are able, right in our own township and in our own county, to get together with our neighbors, forget our suspicions of them, forget our little points of difference, and set to work for the common salvation, hand in hand and shoulder to shoulder. That is the spirit which will win—and that is the *only spirit* which will win.

The work that the federal department can do, the work that an organization like yours can do, is very important, but the greatest work must come from the people themselves—the initiative *must* come from the people. We cannot go out over the country and Prussianize the farmers, and roll them into little groups of coöperative enterprises. What we can do is very important, but it is strictly limited. We are ready to coöperate with the farmer in promoting a scientific agriculture, in promoting a scientific system of marketing, and in building up a new situation in the rural districts of this country, based upon the great principles of brotherhood and coöperation—but we can only suggest and help.

We are your creatures, your servant, your instrument. We can be of service to you, but the amount of service you get from us will depend upon the amount of energy, of intelligence which you yourself put into the great work of making of the New Agriculture something more than a mere movement for the increase in the size of our crops, something more even than a great movement to increase the size of our bank accounts—a great movement which will mean to the coming century a rejuvenation of rural civilization upon a new basis. And if the farmers will get the economic and social conception of their mission and ours, the next 25 years will see in this country a degree of material prosperity that the world has never seen before. And that material prosperity will be used merely as the foundations upon which to build a mental, social and spiritual prosperity, which after all, is the only thing that is really permanent, or that is really supremely worth our while.

THE NATIONAL MARKETING PROBLEM

GEORGE P. HAMPTON

Managing Director, The National Marketing Committee and Editor of The Farmers' Forum

I have come to this Conference, because I believe you would not have assembled here if you were not in earnest in your desire to aid in solving this great problem, and because I feel that among you may be found the master minds who will solve the problem, and because I feel I can present a few facts worthy of your consideration on the main factors that handicap the better distribution of farm products and some suggestions for increasing the efficiency of present distribution agencies, or perhaps I should say, those agencies which I believe can wield the most potent influences in securing the establishment of better marketing methods.

In 1906, at the request of the national master and the executive committee, I attended the annual meeting of the National Grange at Denver, for the purpose of consultation on formulating the legislative program for the ensuing year. For some time past I had felt that the problems of distribution, as they affect the producers, were not receiving their full share of attention, ann that it was hopeless to expect any general increase in the farmers' prosperity until distribution was reorganized on a more equitable basis. On this question as I presented it the officers of the National Grange were in complete accord, and at the request of the chairman of the executive committee I drafted the following section of the executive committee report:

"Distribution of Farm Products."

> "The statement is frequently made in our farm papers that the most important econmic subject that confronts the farmers of America is 'scientific agriculture,' or, in other words, the science of making two blades of grass grow where one grew before. We disagree with their opinions. The great problems of production, not alone in agriculture, but in all lines of industry, have occupied by far the largest attention of the world for a long time. And these productive problems, and scientific farming especially, will undoubtedly re-

> ceive increased attention. Notwithstanding this increasing interest in improving productive methods, the progressive farmer no longer considers the question of how to produce more as being nearly so important as the other great question, of how to keep for himself a larger share of the profits of what he has already produced.
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> "The great problem of this day and generation is distribution; equitable distribution or the 'square deal' (as President Roosevelt has so happily phrased it). The producer and the consumer must be brought closer together, and the special privilege classes, who rob both, must be eliminated. Not until the 'square deal' is fully established and monopoly completely annihilated, can the question of production again attain to its naturally right position of first place. Until then, distribution must be our chief concern."

This was unanimously adopted by the National Grange and subsequently endorsed by every state Grange at their next following annual meetings, and since then, with increased emphasis, it has been the declared policy of the Grange.

I am convinced that the things of first importance in securing the quickest, most thoroughgoing, and permanent improvement in the distribution of farm products, are:

1. Remedial legislation. What that legislation should be has, in the main, been made clearly apparent in the addresses and discussions of this conference.

2. Higher efficiency in the existing educational and demonstrational agencies, governmental and private, by means of a central agency, or clearing house, the main function of which shall be to assist in coördinating the activities of the various agencies, while leaving the independence of each unimpaired.

3. The development of effective team-work in the present agencies for distribution of farm products, through a better understanding of their right relation to the problem, as a whole, and by demonstrating that the interests and profits of each will be best served by operating from the point of view of team work.

Movements Should Be Coördinated

The lack of effective coöperation of the many, very many, agencies—governmental and private, national, state and local—now at work to improve marketing conditions, is the greatest defect in the present marketing situation. If these educational and demonstrational agencies fail to show efficiency in coöperation, and fail to set the example of high grade team-work, how can the rank and file of producers and consumers be expected to coöperate intelligently upon any broad lines? While such conditions prevail, the task of improving marketing conditions in any large way is well nigh hopeless. On the other hand, I can conceive of no more powerful influence to stimulate and speed forward the coöperation of producers and consumers in improving marketing conditions, than that offered by positive evidence that the most important of the various educational and demonstrational agencies are working together with their activities intelligently coördinated.

The activities of these various agencies should coördinate as automatically and as freely as those of bankers in our banking system, while the independence of each should be just as surely maintained.

To perform this function of a general clearing house is the central purpose of The National Marketing Committee. We realize, however, that with the growth of the work, an organization, bigger and broader in its scope, will be needed, and one of the main activities of The National Marketing Committee is to assist in securing the establishment on some broad plan yet to be developed, of a national council, or chamber of agriculture. With a national organization of undoubted representative strength, the important next steps of securing corresponding ''clearing houses'' in the various states and localities would follow naturally in due course.

The getting-together in this way of what I may call the highest forces of agriculture, is the first and most important step in improving marketing conditions, for it makes the accomplishment of all other steps easier.

The present machinery of distribution can be geared up to a much higher condition of efficiency and much of the present enormous waste in marketing farm products eliminated by some remedial legislation, and by showing our bankers, merchants, and transportation managers, that the improvement of marketing methods means increased profits for them. Their present several viewpoints of the marketing problem are wrong, and as I have come to see the problem, it is not so much a matter of educating the producer and the consumer, as of educating the banker, merchant and transportation manager. Distribution of farm products is a question of team work, and the banker, merchant and transportation agent are important members of the necessary team for efficient service.

The main cause of inefficiency in present marketing agencies is that the members of the team have failed to see their right relationship to the team, or even to recognize they were members of a team. Each has "gone it alone" seeking only his own advantage, and with, at best, a poor understanding of the rights of the other members of the team. Such an attitude, intentional or unintentional, is utterly destructive of team success, and inevitably reacts on every member of the team. It is written into the very nature of things that in any group having a common purpose an injury to one is the concern of all, and that in the long run all will go forward, or fall, together. Consequently to aid in perfecting the team work of present distributing agents is a very important part of the work for better marketing.

This phase of the problem is worthy of your most earnest study for I am sure you can appreciate the mighty power of the influences that will be brought to bear in solving the marketing problems, if, with new view points, our bankers, merchants, and transportation managers can see clearly large profits to themselves in taking hold of the work. Time will only permit me to briefly indicate what the view point and policy of these various agencies should be.

Importance of Transportation Agencies

A low cost, highly efficient transportation service is an absolutely necessary part of an economically sound system for the marketing of farm products. To render such a service is the natural function of the railroads, but this service will never be brought up to its highest state of efficiency until railroad managers fully realize that the perfecting of the railroad's part in the development of better marketing, means increased dividends, and that the great dividend producer is naturally local freight. The failure of the railroads to realize this has been one of the main causes of the evils in both production and distribution from which we now suffer.

The old railroad policy of sacrificing the short haul for the long haul, was destructive to the development of a national marketing system, but it was sound in its recognition of the supreme importance of freight as the revenue producer. The error was in the failure to see that the main function of the railroad was to serve the country through which it ran, and that in the long run local freight must inevitably be the dividend producer. The failure to adopt a development policy with this end in view has been disastrous both to the country and to the railroads.

That railroad managers do not yet grasp the full importance of the policy of concentrating on the development of local freight is shown by the efforts made to increase passenger rates and to secure increased revenue from the small package business. Both the passenger traffic and the small package traffic are natural freight producers, and the greater the volume of both, the greater the volume of freight, and freight, I repeat, is the dividend producer for most of our railroads. Therefore, to develop local freight and increase dividends railroad managers should do every thing possible to increase the local passenger and small package traffic. The common sense way of doing this is to reduce the rates for both to the lowest possible level, while at the same time giving to both the highest quality of service. A clear understanding on the part of the railroad manager as to the natural relationship of the small package business to the freight traffic will start railroads on a new policy of development, a development which will make them self interested workers for better marketing methods.

Attitude of Merchant Class

The attitude of merchants to the problem of distribution of farm products has been, generally speaking, that of merely disinterested onlookers, but before any great advance in improving present marketing methods can be made, this attitude must be changed. And it will be changed quickly when merchants awaken to a realization that the right solution of the problems of marketing of farm products means greatly increased and permanent prosperity for themselves. On all sides we hear today of the tremendous boom in prosperity that is reaching into every section of the country and affecting all branches of business. And the solid sense of security that is felt in the stability of this prosperity is in the knowledge that the producers are prosperous and have money with which to buy freely. But there can be no surety of the permanence of this condition until the marketing of farm products is adjusted on a basis that insures the farmer getting at all times, and under all conditions, a just return for the sale of his produce. No time, effort, or money given to any cause is so sure a profit producer for our merchants, big and little, as that given to aiding in developing better marketing methods, for it benefits both the producer and the consumer, and increases the purchasing power of each.

From the point of view of sound merchandising—and the marketing of farm products is merchandising—merchants generally have had the wrong point of view, and consequently have followed the wrong policy in their attitude toward banks and bank credit. It is perfectly rational for the banker, per se, to follow the policy of forcing the interest rate up to high levels and to make every effort to maintain it there, but for the merchant such a policy is most irrational, for before all else, he is a borrower, and his interest lies in securing the very lowest possible interest rates. In a general way merchants know this, but in practice they invariably view banking through the eyes of the banker, that is, of the lender, and not as merchants, that is, borrowers. Thus, although merchants constitute a majority of the directors of most banks, their attitude as such is invariably that of bankers, and not merchants. If it were the fixed policy of our merchants always to study the credit system from the merchants'—the borrower's standpoint—many of our credit problems would be easily solved, and particularly those that relate to the marketing problem. The perfection of the British commercial credit machinery is due to the fact that the British merchants have seen to it that the interest of the borrower has been as keenly looked after and safeguarded as that of the lender, the banker. That is to say, the British merchant is always a merchant, even when a bank director, and the view point, whether that of lender or borrower, makes all the difference in the results obtained. The merchant, the community, will prosper most which, other things being equal, has the lowest interest rate and the best credit facilities.

Banker Necessary Factor in Marketing

The banker is also a necessary factor in the development of better marketing, and when the banker realizes that better marketing can be made a sure profit producer for banks, he will be the chief booster for better marketing. Banking can be conducted either on the policy of charging all the traffic will bear, or of giving the largest possible service for the least money consistent with a reasonable profit. The first policy inevitably tends to high interest rates with a restricted volume of business, and the other to low interest rates with a large volume of business. Of course the banker adopts the policy which he believes will yield the greatest profit. Generally speaking the question has been decided in favor of the high interest rate, and may be said to have developed a state of mind that makes it almost impossible for our bankers to see banking from the other point of view. But the other policy is the policy of some of the largest and most successful banks in the world. It is the policy which in general prevails throughout Europe, and it is the policy our American bankers must adopt if they are to render the best service in the marketing of farm products and in improving marketing methods.

A banking policy of reducing the interest rate as low as possible calls for a higher order of banking than the opposite policy, and requires greater alertness in serving the community. But it is the banking which develops the spirit that puts the right punch into all the activities that make for general prosperity, and it is the banking which in the long run, in any agricultural community, will yield the greatest profit. It is the policy which will make the banker, of necessity, a booster for better marketing. It is a change that is sure to come with a better knowledge on the part of merchants as to their right relationship to banks, and those bankers will show their wisdom and foresight who take time by the forelock, and at once direct their energies to aid in the solution of marketing problems.

THE ECONOMIC FUNCTION OF THE MIDDLEMAN*

David Friday

Professor of Political Economy, University of Michigan

A lack of organization has long been recognized as the peculiar and principal weakness of the agricultural industry. Today, we have everywhere evidences that a consciousness of this lack has pervaded the agricultural classes, or at least the more intelligent part thereof and has aroused emotions characterized by a vividness and fervor that give the movement for rural organization many of the characteristics which we are wont to associate with a religious crusade. The magazines, realizing the keen feeling that exists upon this subject, see in it a fertile topic for the exploitation of the magazine purchaser. The dispensers-for-a-price of ideas, commonly known as popular magazine writers, are grasping the opportunity with avidity and the whole field of journalism confronts us with entertaining and striking statements of the evils resulting from the lack of rural organization.

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*Delivered before the second National Conference on Marketing and Farm Credits at Chicago, in April, 1914, in joint program with the Western Economic Society.

The aspect of this that makes peculiar appeal to those of us who are city dwellers is the necessity for organization in the matter of marketing the necessities of life. We are confronted by the statement that for every dollar, paid by the ultimate consumer, only 35 cents gets into the pocket of that producer who has dug it out of the ground; he, who has endured the groaning and the backache and the sweating of it all—the farmer. At the mere statement of this fact, we are expected to be transfixed with consternation. This question "of the division of the consumer's dollar into 65 cents for the handlers and 35 cents for the producers is the greatest financial issue of the age," we are told in a recent number of, what I have been pleased to consider, the leading farm journal in America. "It is also," the editorial continues, "the great moral issue of American agriculture for the present system of division is unjust and wicked." The 65 cents measures, as it were, the inequity of the system and of the age, while the 35 cents represents the justice embodied therein. A sorry showing indeed for modern civilization as respects the market end of its doings and strivings. The worst of it is, we are told, that this thing has continued for a quarter of a century or more, and we have been sitting all unwittingly and unknowingly while the inequity has gradually grown and waxed fat.

Agriculture is one of the industries, perhaps *the* one industry, that has produced no millionaires. Surely there are reasons for this and the reason, we are told, is the organization of the produce market—exploiting the great numbers, who stand at the initiation and at the termination of the industrial process, to the enriching of those who have interposed themselves between the 2 ends. Government aid is being invoked and both federal and state governments are actively organizing bureaus for the study of the matter. It is demanded that they devise ways and means of substituting for the present system "Coöperative Organization," which shall reduce the cost of living to the consumer and raise the price of the farmer's product—all to the redistribution of purchasing power, and to the increase of happiness.

Need of Strong Men in Market Places

The farmer is told that he has not lacked primarily in enterprise and in intelligence in the field of production, that those who have the betterment of agriculture at heart "may talk 2 blades of grass until they are green in the face," but 'one strong man in the market place, showing how to get a fair price for one blade of hay will do us more good than a thousand men teaching the 2 blades of grass theory"; not the increase of quantity and improvement of quality of the product, but the proper marketing of the same is proclaimed as the dominant problem of the farmer.

The middleman forms the special object of the anathemas of the reformers and the particular target of the rhetorical artists, whose pot-boiling activities serve to keep the emotional state at the proper temperature. It is he who interposes himself between the farmer and the ultimate consumer and is directly and immediately responsible for this wide difference of 65 cents that exists between the consumer's dollar and the producer's remuneration. "Parasite" is the favorite name applied to him, and "non-producer"—one who lives and waxes fat by buying cheap and selling dear, by impoverishing the masses to the anihilation of happiness and comfort. For is it not clear to any one who will open his eyes that the potatoes that the grocer leaves at my cellar—that the eggs, the butter, the apples, are no whit different in size, or quality, or power of sustaining life, than they were when they left the farmer's hands? They are the identical products in no wise changed. Why, then, should I be asked to pay $1 for that which the farmer has produced for 35 cents? The productive act was completed when they left the farm and all the addition in price was not paid to support production, but to furnish profit to middlemen.

The remedy is obvious, we are told, and will present itself as soon as the situation is clearly understood. The middleman, through his close study of the market, through the exercise of his wits upon methods of manipulating prices, underpaying the producer, and overcharging the consumer, has succeeded in some manner in abstracting 65 cents of the value of the goods. He must be eliminated. What more obvious way of doing this presents itself than organization—organization of markets? Let us substitute a single transaction for the 3 or even 5 tranactions of purchase and sale which we at present find consummated in bringing the jar of butter, the bushel of potatoes or apples, the dozen of eggs, from producer to consumer. To quote from a prominent daily newspaper, "give the farmer a parcels post to begin with, let him send his dozen eggs or his pair of chickens direct to the man who wants to eat them, or, at least, to the retail merchant, cut out the commission merchant, the wholesaler, and a few of the city parasites that live on the farmer." The elimination of the middleman has become a principle which seems to have all the importance in solving the industrial ills that vex humanity that the salvation of the soul had in old-fashioned Methodist doctrine.

To any one who has observed these proposals for remedying the inequalities of the system, the feeling that even though the middleman were the black sheep that he is here painted, he should not be condemned without at least being heard; for we ought to make what defense we can for him before meting out his punishment, to the end that we may not act with undue severity in the matter.

Is the Middleman an Exploiter?

Have we really discovered a great truth concerning the wastefulness of the present organization of industry? Perhaps. But oftentimes people imagine they have discovered such truths, when they have only made a shallow analysis of the situation and have not gotten at the true inwardness of the matter. Does the middleman perform any function among us except that of exploitation? Can his activities and his functions be dispensed with by merely passing the wand of organization over the situation, or are his operations a vital portion of our whole industrial organization, without which it cannot maintain its present state of productive efficiency? And if, perchance, it be found that his function is an indispensable one in the modern organization of industry, then it behooves us to question closely whether conscious organization on the part of producers, state controlled organization even, will perform those functions as economically as they are now performed; whether the producer and consumer can assume this function without detriment to other activities which the producer can never delegate to a separate class, as he has delegated to the middleman the task of responsibility and risk of seeking out the consumer.

To me the fact that only 35 cents of the consumer's dollar goes to the producer proves absolutely nothing with respect to the inequity of the middleman's profits or of the present system of marketing. It is a striking fact, without doubt, but so is the fact that I am able to buy sugar at 5 cents a pound, or that I buy a box of friction matches of a very superior grade for the trifling sum of 5 cents. These are startling facts of industrial attainment. But they are not iniquitous in the least.

What is needed to pass intelligent judgment upon this whole situation is a careful examination of the entire process of industrial organization for the purpose of seeking out the casual connections that exist between different activities and the total product forthcoming. It may be that the present methods of marketing may be found to be wasteful and that they may be found to be involving an undue amount of risk on the part of the middleman, that they may involve a useless duplication of effort, but let us not conclude hastily that the system needs changing and above all let us not inaugurate a new system of marketing and distributing the products of the farm until we have first sought out the things that are necessary and inevitable for the unimpaired and effective working of the whole organization. Then we shall be forewarned and shall not be disappointed if certain disagreeable facts and situations have to be faced later.

Function of the Middleman

What, then, is the function of the middleman? His function cannot be understood apart from a discussion of the nature and organization of modern industry. First of all, our present industrial order is a coöperative order. We are not formally and consciously organized for purposes of coöperation, but each of us is engaged in the production of a comparatively small number of things which, for the most part, are intended to satisfy the wants of others. This coöperation is effected without conscious agreement. It is spontaneous, unconscious—each man producing some commodity or service, and exchanging it for the commodities and services produced by others. The farmer who is producing potatoes, wheat or meat, is coöperating, so to speak, with the producer of furniture, clothing and farm implements. They are doing things for each other. This is the essential characteristic of all coöperation.

What is the advantage of this coöperative organization of industry? Why does not each individual in modern industry satisfy his own wants? The answer is simple. This coöperation makes possible a subdivision of tasks resulting in a very high degree of specialization. This division of labor and the resulting increase in production brought about by specialization lies at the very foundation of our effectiveness in production. It is the secret of our modern productive efficiency. That we are effective in turning our product is universally conceded. No other age has seen even the remotest approach to it. The production of all kinds of goods through the application of land, labor, and capital has been multiplied many fold, by increasing specialization and the resultant improvement in technical methods, made possible through transportation and the organization of a world-wide market. But production does not consummate the industrial process. Goods are useless until they have been placed in the hands of those who are to consume them. This is the end of all productive activity, for the goods not consumed are wasted. But let us remember, too, that the consumer of a particular class of goods is in turn a producer who must likewise find consumers for his product. We have not coöperated until the products are placed in the hands of those who are desirous of consuming them. The coöperation between the farmer and the furniture-maker is not effected until the furniture-maker has placed his product in the hands of the farmer and vice versa. Goods must be gotten into the hands of the consumers before the coöperation and its resulting benefits in the way of increased product have served their purpose. A thousand bushels of wheat or of peaches have but little value to the farmer for purposes of consumption, beyond the value which he would derive from a hundred bushels. The tailor who spends all his time making frock coats and never wears one has derived no benefit from his industry until those frock coats have gotten for him the means of livelihood.

Middleman Is Useful to Society

Somehow the product of the various specialized producers in industry must be put in the hands of the consumer. This is effected in present-day industry through exchange. The seeking out of a consumer for the product of the producer and the finding of the desired products for this same individual turned consumer must be the task of some one in industrial society. It would be possible, no doubt, for the producer to sally forth with his goods to seek people who had the goods that he wanted in return, but no one doubts that this would be a wasteful system. Just so is it possible for the farmer to seek out the consumer in the city, who desires his products, convey these to him by parcels post, but the most prosperous farmers that I have known would much rather pay a liberal portion of the price collected from the man in the city, than to dissipate their productive energies and assume the risks of seeking out the consumer. Likewise, when the farmer in turn becomes the purchaser, he is willing to pay handsomely in order to be relieved of the necessity of finding the various producers of the goods that he in turn desires to consume. This is the function of the middleman. And it is just as necessary a function, one just as indispensable to the effective organization of industry under this system of coöperative specialization as any other productive operation. Exchange, trade, commerce play an essential part in modern industrial society in that it makes possible coöperation and specialization, supplying the process or system of processes whereby this coöperation is effected. The 65 cents which marks the difference between the price which the consumer pays and that which the producer receives is the amount which both these persons pay in order to be relieved from the necessity of finding the consumers for our goods, on the one hand, and the producers of the goods that we desire, on the other.

In much of the writing on this subject, it seems to be absolutely unquestioned that the producer and the consumer, through conscious agreement, can eliminate the middleman to the promotion of economy. I quote from the report of the Massachusetts commission on the cost of living, dated May, 1910:

> "It (the parcels post plan) will without doubt act beneficially to reduce the prices of many articles consumed or used in productive processes by the farmer. And it will thus reduce his living expenses and the cost of production of the products he puts on the market. *In principle, the economy of the plan is beyond peradventure.* The only question is as to economy and efficiency in details of operation. No doubt many changes must be made in any foreign system before it can be successfully adapted to our needs, but

> that a plan of administration can be mapped out after a fair trial, there is just as little doubt. The point that needs emphasis is that the interest of the consumer of farm produce and of the farmer that produces it are one and the same in as far as a cheap distributed food supply is concerned.''

The striking thing about the quotation is that its writer deems it superfluous to go to the trouble of demonstrating the ''economy of the plan is beyond peradventure.'' It seems perfectly obvious to him that a direct connection between producer and ultimate consumer will effect a cheapening of the food supply. This is the ordinary way of regarding the matter on the part of the general public. Surely, they seem to reason, if one transaction of buying and selling be substituted for 3 or 5, and thus 3 or 5 profits be eliminated, the result must be inevitably a beneficial one, because it is correspondingly cheapened. This is an agreeable fallacy, for its overlooks entirely the reaction on the field of production, for both producer and consumer. The process of seeking out and delivering goods from one of these parties to the other is one that is time-consuming, that involves considerable cost of labor and a large element of risk. This cost is one that is necessary, and inevitably connected with production, and is not one that depends to any considerable extent upon the present organization of the market.

There is in the popular mind a serious lack of understanding of the difference between a gambling risk and a risk inevitably connected with production. Certain risks, such as the likelihood of price changes for the wheat crop, produced during the previous summer, but not to be consumed for some 9 or 10 months, are inevitable and cannot be avoided by any organization of industry. There is always serious risk of price changes on the produce market from time to time, which is quite as inevitable. No one knows better than the grower or shipper of melons, for example, what a tremendous change in price results from a mere fall in temperature during the melon season. Any separation of the market from the producer in time or space brings inevitable risks, and involves the expenditure of time and money; this expenditure is inevitable.

Farmer May Not Be Able to Shoulder Distributive Costs

It is open to serious question whether the farmer and the ultimate consumer can shoulder these costs and suffer the burden of these disadvantages more cheaply than they are at present being shouldered by the middleman. The act of producing is one which the farmer will never be able to delegate to a second party without ceasing to be a farmer. Every diversion of attention or productive effort or capital from the field of production to that of exchange must inevitably mean a lessening of efficiency in the productive field. And, further, the cheapening in the cost of distributing the product which is brought about by the diversion of such productive factors must be scrutinized closely to make sure that the loss in productive efficiency does not more than counterbalance the saving in distribution. As was said above, the fact that only 35 cents of the consumer's dollar gets into the pocket of the farmer is a striking fact, but not necessarily a proof of inequity or lack of economy.

Middleman May Be Highly Efficient

The remarkable thing is that the farmer has under the modern system of organization of industry and because of it been able to develop such efficiency in production by being relieved of the necessity of giving his attention to the market, that he can produce for this aforesaid 35 cents and still make a much handsomer profit than his father, or his grandfather made who received 65 cents of the consumer's dollar in return for his product. And the more effective the producer becomes in his specialty, the less can he afford to spend his time in a field where he is not a specialist,—that of marketing, for example,—and the greater is the amount of his product that he can economically devote to the support of the persons who take over the marketing function for him and for the consumer.

The seemingly large profit of the middleman may be, therefore, merely a testimonial to the high productive efficiency of both producer and consumer, brought about by the extension of specialization in all fields of production made possible by the division of labor between farmer and middleman. Granting that the function of the middleman is a necessary and productive one, what guarantee have we that the middlemen will be effective in the performance of their duties and will not take for themselves an unduly large share of society's product for the performance of this function?

Thus far we have depended upon competition both to select the most effective persons and to regulate the price which these shall receive for their services. Competition is essentially a selective process, and I am still of the opinion that there is no other agency that is likely to equal competition in the efficiency of the selections made to fill the various posts in modern industry. It may be, and no doubt is, necessary to determine consciously and formally by law the plane of competition. It is very surprising that more classes of middlemen have not long since been recognized as public servants and regulated accordingly, for unregulated competition does not guarantee the standards of right and wrong that are to be observed. To bring competition to the proper plane it may be necessary to prohibit many practices at present indulged in by middlemen, but no other selective process is likely to succeed as well as the basis for selection.

Monopoly and Middlemen

Again, if monopoly has crept in, we have of course no guarantee that the middlemen shall be either effective in the performance of their function or reasonable in their demands, and formal organization may be the only alternative. This question of monopoly must be carefully sheared apart from the question of the middleman's function. Much of the objection to the middleman is grounded in the fact that he is commonly supposed to get monopoly profits. This is a question quite apart from that of his function, and therefore outside the field of this discussion.

Confusion as to What Are Profits

Much confusion and misunderstanding has resulted from the use of the term profits, and in a failure to discriminate between that part of the middleman's return which is really profit and that which consists of wages or salaries, rent and interest. Professor Carver said recently that it seems to require a surgical operation to get this distinction into the heads of some people. Wages and salaries, both of the middleman's employes and of himself, rent and capital charges are inevitable expenses no matter what system of distribution is employed. The middleman's profits proper as distinguished from these are his remuneration of the risk involved. Much of this in likewise inevitable. Competition naturally draws into this field those who do not shrink from taking risks as much as most of us, and if competition prevails this risk is very probably borne for less than the amount that most producers and consumers would demand for the same sacrifice.

The profits may, therefore, be lower than those that would be demanded by coöperative organizations who should render the same services and assume the same risks. For most of these costs can be dispensed with only by decreasing the quantity or lowering the quality of the services rendered.

I have the fullest sympathy with the desire to reduce the cost of every productive process through the removal of waste and inefficiency and through the devising of new methods. The productive process at present intrusted to the middleman deserves careful study to the end improving it. But, we must constantly keep in mind the possibility at least that the middleman is performing a necessary on indispensable function more cheaply and adequately than it would be performed by conscious and formal coöperation.

The public mind is infested by an unusual number of agreeable fallacies. If these are to be eradicated, someone must state some disagreeable truths.

WHY A STATE DEPARTMENT OF MARKETS?

W. G. Scholtz

State Director Idaho Office of Markets

I have been asked to tell why the Idaho legislature created a special state department to assist farmers in their commercial problems, the scope of the law, what the department is endeavoring to accomplish, and if possible draw some general conclusions of value to other states.

The idea of securing the establishment of such a state department first came into my mind a half-dozen years ago while trying to work out my salvation on a sagebrush ranch on one of the irrigation projects of Southern Idaho. At every turn obstacles were encountered which I afterwards saw could have been avoided, had dependable information and advice been furnished, from a source in which the settler could place confidence. From this experience in the development of a farm home under most unfortunate circumstances, and my failures and successes in marketing farm produce both by the crate and the carload, was drafted the bill through which the last session of the legislature created the office of director of farm markets; and then the governor invited the author of the law to undertake the task of organizing the department, in response to the solicitation of the farmers' organizations over the state. This undivided support of the producers over the state, right from the start, has been a great factor in enabling me produce such results as have already been secured.

There are 3 distinct divisions in the law under which this department operates. In the first place there is the free state employment bureau, through which farmers desiring help, or farm laborers desiring work, are brought together without expense to either party. This part of the work has already fully proven its worth in the few months it has been in operation, filling a need that cannot be supplied properly in our territory at least by the federal department of labor or any other medium.

Putting People on the Land

The second division in the department's work is a feature that really might be included in the duties of the immigration commissioner in most states, but Idaho has no such official at this time. The duties under this division include the investigation of literature pertaining to colonization or settlement sent out of the state by promoters, real estate dealers, or others, and the warning of homeseekers against inaccurate or misleading statements, as well as the prosecution of wrong-doers when evidence shows that a homeseeker has been taken advantage of in any way.

The state of Idaho, like the other states in the West, is suffering at this time from the unfortunate promotion of a few years ago when many of the wrong type of people were brought onto the land, settlers who were either unfitted for farming, or who through misrepresentation of conditions came onto the land with insufficient funds. This department is attempting to prevent the placing of any more misfits into the farming communities of the state, or the securing of immigration under any misrepresentation whatsoever. We are working on the theory that the truth is good enough, and will, in the end, bring more settlers of the right type, if the homeseeker can only be satisfied that he is being given a true statement of conditions, without any exaggeration.

An important feature in connection with this division of the department's activity is the receiving direct from owners descriptions of farm property for sale, and the maintaining of a properly classified list of such properties for the inspection of prospective buyers. Through the operation of this land listing feature, the department is enabled to put prospective settlers directly in touch with the owners of many attractive holdings in all parts of the state which can often be purchased at figures that remove the incentive for going into undeveloped sections and taking up raw land. Before placing the homeseeker in direct communication with these properties, however, we ascertain the present occupation of our correspondent, whether or not he has had any previous farming experience and if so how much and where, his preferences in the way of climatic conditions, acreage, type of farming, etc., also the number of children in his family and the age of each, on account of the school and farm labor problem. With these and other facts before us we are enabled to put our correspondent in touch with such places as we feel will make of him a contented and prosperous permanent settler in case he decides to locate within our borders. This is the one most essential element in immigration and state development that has been overlooked too much in all parts of the country in the past—this human element—the character of the purchaser of land, taking interest in his future welfare as well as in his immediate investment.

Helping the Farmer Sell His Produce

The third and principal division of the Idaho farm markets law is the one concerning the better distribution of farm products. This part of the work is, of course, the slowest to get fully under way, there being a great deal of preliminary work, organizing, surveying the field and mapping out of plans necessary before this feature of the law can be gotten into full operation. Enough has already been accomplished along this line, however, to show the enormous possibilities for the future.

The possibilities for usefulness of such a state department as this, both to producers and consumers, are simply immeasurable, and for this very reason my greatest temptation in this work is to attempt too much; to spread my efforts so thinly over such a large number of projects that none of them will be properly covered. This danger will also probably be encountered in the development of market bureaus in other states, as in no section of America has consideration been given to distribution in proportion to production, the problems of marketing and rural organization consequently having piled up to such an extent that when a department for their solution is established the office is deluged with a mass of problems all demanding solution at the same time. The avoiding of friction at this stage will require both diplomacy and good judgment in the selection of the lines of work first undertaken.

Farmers Lack Self-Confidence

One of the greatest handicaps to overcome is the fact that most farming communities lack confidence in their own ability to succeed coöperatively in the marketing of their crops. They will work together in churches, social organizations, highway districts, etc., which shows that the coöperative spirit exists at least to some extent in most communities, but has not been fully developed. One of the greatest opportunities for a state department of farm markets is the development of this confidence. How? Through showing the farmers in each district what farmers in other sections of the country, similarly situated, have accomplished. You can go into 9 out of 10 farming communities, in almost any state, and present the most plausible theories and workable plans without arousing sufficient confidence to get any sort of commercial organization started; but go into those same communities, with the same plans exactly, pointing out to them some certain organization of farmers that is successfully operating the plan and you will arouse their enthusiasm immediately.

What the average farming community wants is concrete evidence of the possibilities and success of coöperative marketing. Here is one of the many opportunities presented to a state market bureau. With a man at the head of the bureau who is conversant with the various coöperative movements over the country, concrete examples of successful organizations can be found that will be adaptable to the community needs of almost any marketing situation in any state. With the example of success placed before your district your task is half accomplished. The next thing is to discover or develop a leader to apply the plan. Very little can be done without leadership, and this leadership must almost invariably be developed among the farmers themselves.

On account of the fact that the director of farm markets in Idaho has to attend to many of the duties of a state immigration commissioner and a state commissioner of agriculture, besides helping the farmers solve their marketing problems, it has been impossible for me to consider the personal problems of the individual farmer to any great extent. If this individual work could be provided for through a sufficient operating appropriation and the necessary additional help, it ought to by all means be taken up. But with a maximum number of duties and a minimum appropriation it is necessary to confine the work largely to community and state-wide problems, working along broad and fundamental lines, leaving the individual work for later consideration.

As examples of what I mean by working along broad lines, and at the same time avoiding mere glittering generalties, let me mention some of the work undertaken in Idaho.

Realizing the natural advantages of Idaho for dairying over most of the present leading dairy districts of the country and the consequent future possibilities of the industry, seeing the chaotic conditions existing at the time in most of the creameries and cheese factories of the state, the lack of uniformity of product, disorganized and wasteful methods of marketing the product, etc., I have organized a butter and cheese scoring organization, through which every factory in the state has an opportunity to know monthly how their product compares with that on the market, and through the counsel of the judges they are shown how to overcome any faults. With a standardized, higher quality product a better market is assured; but in addition to this movement to improve quality, the coöperative factories have been brought together into an organization through which supplies are bought together, markets being developed coöperatively, uniform methods of accounting being installed, such of the product as goes direct to the retail trade being sent out under the same brand for all the creameries, etc. Through this organization it is hoped to develop and put the dairy industry of the state on a firmer foundation. In addition to this work in helping the factories already in operation, I have persistently kept on the trail of the unscrupulous creamery promoters who have been operating throughout the state, to prevent them from unloading on the farmers plants worth $2,500 for 5 to 6 thousand dollars. The department has counseled with the farmers in dairy communities, helping them organize without the promoter, get better arranged and better equipped plants and for half the cost!

Crop and Market Reporting Service

The crop and market reporting service instituted by the Farm Markets Department in Idaho is another instance of general rather than individual help. For example, let us take the potato crop. At potato digging time this fall it was found that the large speculative buyers who in years past have been getting the bulk of the state's potato tonnage at their own figures were paying only 45 to 50 cents per hundred on the ground that the government crop reports showed that there was a big over-production of potatoes throughout the United States this year, that even Idaho had a far bigger crop this year than last, and that not over 50 cents per hundred could be expected this year. I saw that the growers over our state were being made the victims of a government potato crop reporting system that was worse than worthless, in that the early and late potato crops were lumped together in their statistics, and that while the southern crop of early potatoes had been large the northern crop of late potatoes, on the other hand, was way below last year—and the only potatoes affecting the Idaho crop, the early potatoes long since having been consumed—I immediately advised the growers over the state, through the press and through circulars distributed throughout the potato growing districts under no circumstances to sell at present prices, not to be misled by the government crop reports. The growers were told that the tonnage would be less than last year, that my advices even from Idaho showed at least 30 per cent less tonnage than the government bureau of statistics was crediting our state with, that potatoes were worth at least 80 cents per hundred at the time, and not to sell until they could get that price.

How Idaho Made Money on Potato Crop

The growers expressed confidence in my estimates and took the department's advice as against the government figures which played right into the hands of the speculators and which these interests were using to such good advantage. Results: within 2 weeks from the time the true crop situation was placed before our growers the buyers were offering the growers 20 to 30 cents more for their potatoes than they had just 2 weeks previous told them they could expect for the season. And the price is still going up, getting closer to the dollar mark every day. What we have been able to save the growers on this one deal alone, it is impossible to say; but the saving has amounted to many thousands of dollars. Let me say at this point that we in Idaho charge the federal bureau of statistics with playing into the hands of the speculators. It is not for me to say whether it is fraud or simply almost unbelievable gross ignorance—the effect on the grower is the same. I advised two years ago that the bureau of statistics could be transferred to Mr. Brand's department where it belongs. What is true of our market reports on potatoes is true of other crops as well—and the work has hardly begun. But the possibilities for help in the dissemination of honest crop and market information are simply enormous—and what is being accomplished in Idaho can be duplicated in any other state.

If I had the time I would like to discuss with you the many thousands of dollars saved to producers and consumers through our public market work, how the work was started and what our plans are for the future along this line. The farther the work progresses the bigger the opportunities develop. The state assistance in marketing idea has come to stay, and I am confident that within a very short time most of the states in the Union will be conducting such departments.

I have been devoting much time during the past year to corresponding with governors of other states, as well as commissioners of agriculture trying to mold sentiment in favor of such state marketing assistants in other states. At this point I might state a fact which possibly some of you don't know—13 states already have marketing bureaus; in fact only yesterday we organized a national association of state marketing officials, from which you will probably hear more before the close of this conference.

PERISHABLE PRODUCTS AND ASSOCIATIONAL SELLING

J. W. Stroud

Secretary, Ozark Fruit Growers' Association, Rogers, Arkansas

I am to talk to you on the subject of coöperation and the system as adopted by the Ozark Fruit Growers' Association of Southwest Missouri and Northwest Arkansas in marketing highly perishable products.

In order that you may better understand our system, I wish to state that for several years our growers were shipping strawberries in a small way, by local express, but the industry soon outgrew the demands and it became necessary to hunt more distant markets and carlot shipments were resorted to, which called into service the refrigerator car, and at this time growers, not being able to load cars independently, were brought into organizations.

These local organizations soon discovered that they were competing against each other and the results were disastrous. It was almost impossible to make cash track sales; also the industry being in its infancy, there was no satisfactory system of grading, inspection or packing.

About 12 years ago some of our best growers, seeing the needs of a better system of marketing, got together after holding several preliminary meetings and arranged what is now known as The Ozark Fruit Growers' Association. This is a marketing agency, incorporated under the laws of Missouri, making first shipments in 1904, and doing a successful and satisfactory business since that date.

Essentials for Successful Agency

In order for a marketing agency to be successful there must be first, the unit from which to build, which is the local association.

In our first year's experience we found it very hard to break away from the old, haphazard way of marketing, that of consignments. Results were some better, however, than were received the year previous, which were about 75 cents per crate, for strawberries. While under coöperation an average of $1.10 was made, and since that time we have improved on our packing system and inspection and by fair dealing with our trade, we have established a confidence that has enabled us to make almost exclusive cash track f. o.b. sales, and selling as high as $2.75 to $3 per crate.

This association stands for a uniform pack and a uniform or standard package. We have established a system of grading our strawberries, which is known as the "field shed pack." Under this system of packing and grading each crate is almost as perfect and uniform as is possible to pack it. We have also now the uniform package or container, known to the trade as the "American ventilated crate"—standard dry measure, 24 quarts to the crate.

In our first year's work we only had 30 associations affiliated with us in this system of marketing, but today we have almost 85 local associations who are loyal to our system and who are stockholders. Our membership numbers almost 5,000, including individual stockholders. In this number is included the best fruit growers of the Ozark section of the country, as well as the largest peach orchard in the United States, the Arkansas Orchard Planting Company. Coming up from a few hundred car shipments the first year, we marketed this season in round numbers about 1,900 cars of highly perishable fruit and produce for our members, paying to our growers in round numbers about $700,000.

Representation in the Markets

One of the secrets of our success is brought about by placing the best and most efficient representatives we can secure in the best markets of the country, whose duty it is to make sales, collections, and look after the interests of the association in adjusting any differences that may arise between the grower and the dealer, also to keep our main office fully advised daily of the market conditions.

It is also our duty as a marketing agency to adjust any differences in the way of claims against transportation lines for our members.

Our association is organized purely on a coöperative basis and not for the purpose of profit taking or declaring a dividend. We market the strawberries and blackberries on a 3 per cent commission basis. Peaches, apples, cantelopes, etc., are sold on a 5 per cent commission basis. Out of this fund are paid all the running expenses of the association, including the representatives, office force, general sales manager, telegraph and telephone service.

Now, the question might be asked, what are some of the benefits to be derived by coöperation. I will name a few:

1. It enables the small growers to ship in carlots.
2. It distributes the crop so as to prevent gluts in the market.
3. It enables the growers to establish a brand that will be known and sought in the markets, thus insuring better prices.
4. It makes possible better business methods in dealing with the fruit buyers, transportation companies, etc.
5. It provides better equipment for handling the crop.
6. It insures better care of the orchards.

Avoiding the Glutted Markets

A benefit of coöperation that is most generally urged and is especially important with perishable fruit is proper distribution of crops to prevent glutted markets. While the commission men have a personal contact with the market and are in a position to place a given amount of the product at any point, to a good advantage they are not in a position to limit the amount that will be put upon the market and prevent gluts. The commission men themselves generally admit this.

Unless your fruit passes through one channel, which has all information in regard to shipments, amounts going into different markets, and the conditions of these markets, you will never achieve success. As long as a number of different organizations are in the field working independently, you will always be working at cross purposes and the results are sure to be disastrous. Your own competition will kill the price of your products and this is entirely to your own disadvantage with no corresponding advantage to the people who buy and handle your products, as, owing to this competition there is always uncertainty with regard to cost of goods delivered, and each dealer is afraid that his competitor will be able to get the same goods for less money.

He is, therefore, unwilling to take hold and push the business as it should be pushed; and by this independent system, or lack of system, you would fail to hold your market to a cash track proposition. The result would be consignments, which means disappointments, heavy losses, and disastrous results.

Coöperation further enables growers to make use of better business methods. It enables them to meet on equal terms, the men with whom they deal. Many people think that they lose their independence by joining an association, or marketing agency, of this kind, when it really is the only means of making them independent. The dealer is generally equipped with better knowledge of the market; and he controls a larger business.

This makes him relatively independent of any particular shipper, unless the shipper is a very large one. For the grower to meet the buyer on equal terms he must know the condition of the market as well as the buyer knows it, and must control a business large enough to attract the interest of a large proportion of the trade.

Accurate first-hand knowledge of the condition of the market can be secured only by having efficient representatives in the market. Large growers often have representatives in one or two of the largest markets, but it would generally have to be a very large grower who could afford representatives in enough of the markets to make him equally independent. An association, especially a large one, can have such representation in all the markets reached by the crop, and the greater the association, the more market information can be afforded and the cheaper it comes to each grower.

Thus, under coöperation the association can have a manager who thoroughly understands the markets in a general way. If it be perishable fruit, that is handled, the association can have men at all the important market centers the goods are to reach. Then, with all the growers and a good uniform pack behind him, he controls a business that demands respect and he should generally be able to set the price.

This is a day of coöperation. The very air itself is filled with the spirit of coöperation. Our banking institutions have their organizations, the largest business interests of our country have their organizations. Take the International Apple Shippers' Association; the Western Fruit Jobbers' Association, and the National League of Commission Merchants of the United States, all organized for their protection and benefit—so, why should not the farmer organize for his own protection?

But, the average farmer of this country, is the hardest person to organize. He is the one who should be the first to organize and work through coöperation but is the last to see his own interest. As a class we are afraid of each other. Just let a farmer, if you please, enter into a transaction or sell something from the farm and make a few dollars. All of his neighbors will know it before night. But let him meet with a loss and you never hear of it at all.

Coöperation Endorsed by Town Business

In the Ozark country where we operate, this system of coöperation is endorsed by our banks, our business men, our commercial clubs, and transportation companies.

One of the aims of our association is to build up a business system which will be constantly reaching out and extending its means of distribution, thereby reaching many fields never entered before, directly, at prices which will greatly increase consumption, at a cost that will leave a good return to the growers.

Until a few years ago there had never been a carload of strawberries shiped into the Northwest direct from the growers until the Ozark Fruit Growers' Association sent one of their representatives into that section and began to work the trade, and to expand the distribution of the products of the growers of the Ozark section. This could not have been done by a local unit or association as the expense would have been too great, but when borne by all, it was handled to good advantage.

I am glad to state and to know that the spirit of coöperation is growing, and there is no doubt in my mind if all the fruit growers of our country were organized and working together in harmony through the proper channels that they would soon be the most prosperous class of people on the earth.

We should coöperate to the fullest extent. I believe that the time will come and it should be soon, now, when all the most up-to-date growers will come into coöperation. A central selling agency could be organized on a coöperative plan by enrolling under one management all organizations of the country shipping the same product at the same time: if peaches, all the peach growing districts; if strawberries, then all the berry growers of the country. This central agency can obtain and give the associations daily information as to prices, number of cars shipped daily, number sold, number consigned, where the best demand is, what markets take most freely and any other information leading to the protection of the markets as well as the growers.

Successful and intelligent distribution is the key to success for the grower of highly perishable products. It is one thing to grow the fruit, and it is quite another thing to sell it.

In sections of the country where a close, compact, coöperative association is organized and in working order, you will find an advance in land values, better homes, better financial conditions, and more interest taken in the care of the orchards and berry fields as a general rule.

GREATER COÖPERATION AMONG FRUIT GROWERS*

R. E. Hanley
Secretary-Treasurer, North American Fruit Exchange

Unquestionably the greatest economic problem confronting fruit growing communities is that of marketing—upon the successful solution of which all other branches of the industry are entirely dependent. Experience has proven coöperation an absolute essential to success in meeting the marketing problem, whether that be confined to localities, to districts, within state lines or nationally.

Local organization of fruit shipping interests is, of course, the initial step forward in the direction of that coöperative effort having for its purpose the securing of greater net returns for products of the farm and orchard.

To achieve much along the lines of that purpose it is very necessary that the local shipping association shall be composed of a majority, if not all, of the growers of the community in which it exists. Further and probably quite as important this local combination of interests must possess the unfailing and loyal support of its membership.

Coöperative effort alone cannot be relied upon to secure for the association member that return for his products which shall be commensurate with his land investment, cost of material, of labor and his individual energy; for that he is much dependent upon the efficient, business-like and economical management of the shipping association with which he is affiliated.

In many instances the individual grower-member accepts too lightly his share of the duty of securing to his organization that character of direction and conduct of the affairs of the association necessary to successful operation. The result is that frequently the principles of coöperation are jeopardized and in instances have received serious setbacks through incapable or discreditable management.

Some of the failures recorded among coöperative organizations variously located can be attributed to the shortcomings of unreliable employes carrying responsibility (often underpaid), and improper exploitation of these growers' associations by selfish interests among the officials in charge. Too often are the official positions of such associations striven for, as are some political plums of the public employ, by men more concerned with their desire for selfish gain than for the furtherance of the welfare of their constituent growers.

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*Delivered before the second National Conference on Marketing and Farm Credits at Chicago, in April, 1914, in joint program with the Western Economic Society.

However, experience has shown this practice to be greatly reduced by increased supervision of individual members and by the elimination of salaries of all officers not devoting their services exclusively to their association. This has had the effect of attracting to those elective offices only men with upright unselfish motives, who are more devoted to the interests of their neighboring growers collectively than to individual gains.

Essentials of Successful Fruit Growers' Association

Some of the important requirements and functions of the successful coöperative fruit growers' organization include:

1. The absolute confidence and loyalty of its membership.
2. The control in its district of all or a good majority of the products produced and handled by it.
3. Its capitalization on a basis not requiring it to incur unnecessary indebtedness, and to become established as to credit so as to be able to secure loan accommodations, should that be necessary, without the expense of exorbitant interest charges.
4. The ability to procure for its own needs and those of its membership, supplies, packing material, implements, fertilizer, seed, nursery stock, etc., at low costs, quality considered, through purchases by contract and otherwise in large quantities.
5. The maintenance of suitable and adequate facilities for the grading and packing of products of the membership along improved and economic lines.
6. Through rigid inspection and careful packing, together with the use of advertising judiciously, the establishment of a reputation for high quality for its products thus creating a distinctive demand for its trade-marked brands among the wholesale, retail, and consuming trade of the country.
7. Very necessary also is a reasonable control over the harvesting of its growers' products so as to be able to regulate, as near as possible, distribution with a view of conforming to supply and demand within the markets.

When so much has been achieved by the local association it is confronted with the necessity of selling its output at profitable prices—that function most important of all—turning into cash the results of great care, hard toil, and considerable expense. It is at this point that many coöperative growers' organizations, though they may closely follow the ideal in several respects, widely diverge as to marketing methods.

How Selling Plans May Differ

A review of some of the methods in vogue in various producing districts of the country should interest. Among them we find:

1. The consignment plan whereby goods are consigned without control direct to commission merchants with rebates on the receiver's commission that tend to maintain the shipping association. With limited tonnage and selections of thoroughly dependable agencies this plan has some advantages.

2. Contract distribution by commission merchants who undertake disposal of entire crops, but who, because of reciprocal obligations among commission merchants of other markets, must necessarily reconsign at additional commissions, rather than effect outright sale to these dealers of a large portion of the products handled.

3. The direct marketing by the association managers by means of telegraphic and telephonic communication with carlot buyers—a system conducted with some degree of success where the tonnage is limited and adjacent to important consuming centers.

4. The employment of resident brokers among the markets open to the association, these agents being generally satisfactory where not dependent for a livelihood upon the good will of the trade and disposed sometimes to favor unscrupulous buyers at the expense of the shipping account.

5. The temporary employment for short time periods of local men selected from among the fruit growing communities and dispatched to the marketing centers to conduct carlot sales to wholesale dealers. It must be obvious that generally these men, lacking trained salesmanship, experience, knowledge of local trade conditions and familiarity with "tricks of the trade" are, and of necessity must be, at considerable disadvantage in their selling operations.

6. The state-wide exchange plan contemplates concentration of selling efforts on the part of allied shipping organizations within the state through a central exchange or clearing house,

thus by a combined tonnage securing the benefits of economy of operation, equitable distribution and the lessening of much wasteful competition.

How the Exchange Plan Works in Citrus Industry

Of these methods enumerated the exchange plan must appear as that having the most advantages. We have but to look about to determine the effectiveness of such combinations of fruit growing interests.

Let us first refer to California where exists the commonly accepted ideal growers' marketing organization, the California Fruit Growers' Exchange, with headquarters at Los Angeles. The California Fruit Growers' Exchange is a coöperative body of approximately 6,000 fruit growers distributed among 117 local associations within the state.

Through its strength of number and consequent tonnage shipped over a period of 10 months in a year this federation of growers is enabled to, and does maintain offices of its own in the principal marketing centers. This established selling force largely facilitates equitable distribution among the markets and excepting a small percentage handled through auction in a few of the largest cities, the fruit of the growers, members of the exchange, is disposed of through outright sale in carlots to local wholesalers, prices being governed practically by supply and demand.

The exchange is a formation of 17 district or sub-exchanges comprising 117 local associations within the state, all operated on a non-profit coöperative basis and shipping collectively in a normal season about 20,000 carloads of fruit.

It should be noted that the success of this organization is largely attributable to the thoroughness of this exchange's selling organization and to the binding contract existing between the association and its members, there being little opportunity for digression on the part of the growers, a harmful practice so common to members of coöperative bodies in some states.

Florida Follows California Method

In Florida may be found a somewhat similar organization of citrus fruit growers comprising 9 exchanges attached to which are about 60 local associations, but with less than 20 per cent of the state's crop under control. With this limited tonnage, moving as it does within a short period of the year, the Florida exchange is only warranted in operating but a few sales offices of its own, using principally for an outlet for the growers' fruit the auctions of a few of the larger markets.

Reverting to California we may note the success of fruit marketing interests in the operation of the California Fruit Distributors composed of 14 incorporated shipping organizations operating 100 or more packing houses in the shipping and marketing of about 6,000 cars of deciduous fruits annually.

Selling Northwestern Apples

Extending our observations into the northwestern apple country we find that territory quite as progressive in the matter of coöperative organization of fruit interests as in the effort to lead the country in the production of fine apples. In fact, control of 80 per cent of a normal season's crop of 12,000 carloads of boxed apples there being divided between the Northwest Fruit Exchange of Portland, Ore., with several subdivisions comprising numerous local units within the states of Oregon, Washington and Idaho, and the newly organized North Pacific Fruit Distributors, a coalition of shipping associations and individual shipping companies heretofore competing wtih one another.

These references to a few of the larger organized shipping interests, most all of which have long since passed the experimental state are now accepted as substantial and successful institutions, must be sufficient to indicate the success of coöperative effort along broad, extensive lines.

While considerable organization exists, combination among fruit producing factors has not kept pace in that respect with other lines of industry. Yet much good progress is being lately made, thanks to greater assistance from state and federal depatrments devoted to agricultural pursuits.

As regards modes of marketing we find to date but one single coöperative organization (The Exchange of California) sufficient in strength and tonnage to warrant the maintenance of its own selling machinery on a comprehensive scale—a trained and experienced sales force quite as essential to the effective selling operations of the important fruit shipping associations as the large commercial establishment.

Excepting the citrus fruit territory of California no fruit producing section extends its shipping period beyond a very few months of the year, consequently the establishment of any extensive sales force among the marketing centers by the individual coöperative association or exchange is abviously impractical.

Attempt to Organize Nation-Wide Selling Agency

It was in recognition of this fact, and the great need by fruit shipping interests of marketing facilities better than those then available that measures were undertaken in 1910 to create a central, country-wide selling agency with a corps of trained salesmen located in all the important consuming centers. This force was to be used jointly by non-competitive coöperative associations and exchanges of good standing that would ship their products in consecutive season periods throughout the year.

This concentration of selling effort by important shipping factors variously located from Florida to Oregon made possible the year round operation of a thoroughly organized selling force under the expense to the individual association only as actually used.

This plan contemplated the operation of the forces at the marketing end under the direction of the individual association manager during his respective shipping season in the execution of sales orders and acquiring authentic information of markets to facilitate cash selling and distribution.

It was thus the North American Fruit Exchange, in reality an exchange of exchanges, was organized by horticultural interests of Florida, West Virginia, New York and Oregon, and incorporated January, 1911.

The exchange's board of directors included Messrs. R. H. Parsons, president of the Rogue River Fruit & Produce Association, Medford, Ore.; W. F. Gwin, general manager of the Northwestern Fruit Exchange, Portland, Ore.; William Campbell, secretary and manager of the Virginias' Fruit Exchange, Charlestown, West Virginia; Lloyd S. Tenny of Hilton, New York, general manager of the Florida Citrus League; and E. P. Porcher, manager of the India River and Lake Worth Fruit Association, Cocoa, Florida.

This central sales organization operates district offices in all important markets and from its general offices at New York and Chicago constantly supervises the activities of this force which is under directions of the affiliated shipping associations.

MARKETING MILK IN NEW ENGLAND

WILFRID WHEELER
Secretary, Massachusetts State Board of Agriculture

The marketing of milk in New England is practically a Boston question, as over 80 per cent of the milk shipped by rail is either consumed in Boston or distributed through it, therefore in analyzing this subject we shall have to keep in mind that Boston is the center of the industry.

The history of the Boston milk supply is somewhat similar to that of many of our large eastern cities and a brief resume of it is necessary in order to appreciate present day conditions.

Less than 50 years ago Boston milk was produced within 30 miles of the state house, and in fact some of it was produced within the present metropolitan district. Building operations and high land values, however, soon drove the milk farmers into new territory, and farms near the cities were reduced in size and began to produce products of higher value, such as vegetables and fruit, depending on the city stables for manure. But better transportation facilities by bringing in milk produced at even greater distances, tended to keep pushing the dairy farmer further and further away, as the more distant producers on cheaper land and on soil in many instances better adapted to dairying and with cheaper labor were able to undersell the milk farmers nearer the city. These changes have been going on for years so that now Boston draws its milk supply from 7 states and a part of Southern Canada. In other words, outof 7,600 dairies supplying milk to Boston, only 1,300 are in Massachusetts, and the bulk of Boston's milk supply is coming from distances varying from 150–200 miles, and some of it from as far as 280 miles away. What is true of Boston, however, is not so true of other cities in New England, for they are generally more accessible to the small producer who can readily market his milk directly thus avoiding many of the complications which marketing milk in a large city creates. The same processes, however, which affected Boston's supply are gradually affecting these other cities and it will not be long before they too will be drawing their supply from long distances.

Geographically Massachusetts is at a great disadvantage, as far as milk production is concerned. She is surrounded by large producing states whose products are freely accessible to her markets and whose soil conditions in many cases are far better adapted to dairying than her own, and added to this, Massachusetts has helped the destruction of her dairy industry by saddling herself with a milk transportation law which affects only her own dairymen. To complicate matters still further, there periodically appears a batch of would-be legislators who in their own minds have settled this much-vexed milk question, and who from looking at the question from only one angle attempt to make laws absolutely impossible of enforcement, or else designed to bear down heavily on the Massachusetts producer and without any prospect of increased financial return to pay for fads.

Viewed as a whole, New England conditions have changed greatly in the past 25 or 30 years. Prior to the opening of the Boston market to the whole milk business there were many creameries in New England, the total number being about 375, which shipped their entire products as either butter or cheese. Western competition and better transportation facilities had their share in reducing these to a small number, and where they were once independently owned they are now largely controlled by the great dairy companies. Like many other industries in our country, the creamery business in New England has come into the control of big business, and is now in the hands of 5 large companies, operating in separate territory and seldom crossing each other's lines.

Production Still in Farmers' Hands

At the present time, as in the past, the actual production of milk in New England is still in the farmers' hands. The small herd, ranging from 5 to 20 cows, is still the rule in New England. Dairying is not strictly a business by itself in New England, as the greater part of our farmers combine some other activity with their dairies. Many farmers say that they keep their cows principally for the manure. Milk producing farmers might be classed under 3 heads:

1st: Those producing under contract for large dealer.

2nd: Those producing near large towns or cities for smaller dealers.

3rd: Those producing independently for their own customers.

The great milk producing states of the New England group are Maine, New Hampshire, and Vermont. The character of the soil, climatic conditions and the general training of the farmers makes for natural dairying conditions. New York on the west, is also a large producing state and her conditions are much the same as those of the 3 states named.

That our farmers are not keeping as many cows as formerly is apparent from the following figures of the decrease of cows in the New England states during the last 10 years. The number of cows assessed in Massachusetts in 1905 was 181,920; in 1914, 147,209, showing a decrease in 10 years of 34,711 cows, or 19 per cent. The number of cows assessed in New Hampshire in 1905 was 113,712; in 1914, 86,438, showing a decrease of 27,274, or 24 per cent; those assessed in Maine in 1905, 165,216; in 1914, 130,661, showing a decrease of 34,555 cows, or 20 per cent. Yet on the whole, our farmers are coming to realize the necessity of keeping cows of greater productivity than in the past and while the figures show a decrease in actual numbers, yet the fact that many cow-testing associations are being formed proves that results rather than numbers are being looked for. All interested in the farmer's welfare are advocating the elimination of the boarder cow and this propaganda is having its effect. While certain localities are declining in the industry, certain other localities are going into the business rapidly, and in most instances where increases are noted, this is due to the effect of local coöperative creameries or to an increase in price guaranteed by the dealers.

The introduction of more pure-bred herds and animals of a higher productive capacity is having a marked effect in some places, while in others cows are being put back on the farms to assist in the ever-decreasing soil fertility supply.

Cost of Production

The almost utter lack of any system of bookkeeping on our farms has made it almost impossible to tell what milk has cost to produce, but based on investigations made by the Massachusetts Board of Agriculture, in Massachusetts about 5 cents a quart is as close a figure as can be arrived at, while for New England, in the report of the Boston Chamber of Commerce investigation, in which some 2,500 farmers were examined, estimates largely opinions were given varying from about 2½ to 4 cents. A peculiar part of this testimony was the fact that with the higher producing cow the costs were the heaviest. Such factors as feed, labor and overhead charges were considered in this analysis, due credit being given to calf and manure. One interesting feature was brought out by the investigation to the effect that farmers who were raising young stock stated that there was no depreciation in herds, while the contrary was found where no young stock was raised.

The use of machinery in production, as milking machines, separators, clarifiers, bottling machines, and the power for running them has not made the great changes which had been predicted, for while a large proportion of our farmers own and operate separators, it does not seem to have increased production materially, nor affected the costs.

Discontent of Dairy Farmers

Farmers have become dissatisfied from many causes, and unless conditions can be materially changed, New England is bound to see a greater reduction in her dairy interests. Many have realized for a long time that there was no profit in the business, but as their farms are not adapted to other forms of agriculture, the problem that faces them is either to sell their farms or stay on and run the chance of a better day.

In order to get a fair idea of the processes through which the milk of New England goes before it reaches the consumer's table it will be necessary to understand the agencies through which the milk is handled. We have in New England several types of dealer, classified by the Boston Chamber of Commerce report, as follows:

1. Large dealers, handling 5 or more cars of milk a day; supply coming from several states and the Province of Quebec. (Four such dealers in Greater Boston.)

2. Dealers handling 1 to 5 cars a day; supply coming from two states. (Twelve in Greater Boston.)

3. Cream dealers, whose business is largely that of handling cream. (Six in Boston.)

4. Small dealers operating from 1 to 10 retail wagons, getting their supply from large dealers or local producers. (Five hundred or over in Greater Boston.)

5. Producers who are putting out a special milk as certified or medical milk; only one per cent of the milk of Boston is of this kind.

The large dealers who control about 80 per cent of the output have been able to build up their business largely by the system of leased cars on the railroads entering the territory in which they operate. (These leased cars are not allowed in Massachusetts. Seventy-five per cent of the milk coming to Boston is handled by the leased car system.)

Under this system the large dealers have practically allotted the territory among themselves and have the farmers more or less at their mercy. As these are the only milk cars run over the railroad, the farmer must sell to the dealer operating the car, and as there are many small branch railroads in New England over which only one car is run and that by the dealer, the matter is still more complicated as the farmer is unable to secure competitive bids for his product. There are no open cars except in Massachusetts, but the leased car system works against Massachusetts in competition with the rest of New England, as the rate in the open car for a short distance is often greater than the leased car covering a longer distance.

Dealers Control Many Creameries

The large dealers now control a great number of the creameries in the country districts. In Maine 55 of the 72 creameries are owned by 4 companies. The city milk distributing plants are in their hands, so that with cars collecting and receiving stations and city plants all in the hands of the dealers, the country producer is bound to receive only what the dealer is willing to allow him.

Let us for a moment follow the course of one of these cars, bringing milk to Boston. The Northern Vermont farmer, say in Newport, takes his milk to the station in the early dawn and loads it on the train, (or if the car is filled at Newport the train leaves there at midnight for Boston, milk is picked up along the route, arriving in the city 12 or 15 hours later.)

On crossing the Massachusetts line the car is sealed to avoid trouble with the Massachusetts authorities who forbid cars to be operated under a leased system, but owing to a ruling of the Interstate Commerce Commission, Massachusetts cannot prevent sealed cars from crossing its territory. If the milk is destined to one of the large dealers the car is shifted to the receiving station where the cans are unloaded, the milk emptied into large tanks, pumped to the top of the building and from there begins the processing, consisting of clarifying, pasteurizing, cooling, bottling or canning, according to the trade it is to supply.

Age of Milk When Reaching Consumer

When the car arrives in Boston the milk is estimated to be from 24 to 48 hours old and to be from 36 to 90 hours old when it reaches the consumer. The city delivery outfits of the dealers have changed a good deal of late years and while the horse-drawn vehicle still predominates in the family delivery, the motor truck is largely used in wholesale deliveries.

These great city plants of the dealers have in many cases involved the expenditure of hundreds of thousands of dollars and most of them are built on modern sanitary lines. The companies controlling them are generally stock companies, employing the best ability and utilizing business methods to the fullest extent.

Besides the leased car system, milk is handled by express companies at the general traffic rates, as excess baggage on published tariffs of the railroad, on trolley cars in some sections, and by motor truck within 40 miles of large centers.

The rates for the leased cars on a zone basis are:

1. Zone on Boston and Maine. 1 to 75 miles, $125 per mile per year.
2. Zone 76 to 125 miles, $112.50 per mile per year additional to $125.
3. Zone 126 miles and over, $75 per mile per year in addition to $237.50.

Maximum charge $18,000 per year.

Minimum charge $5,000 per year.

This is for passenger train service; 25 per cent discount for freight train service.

The minimum load is fixed by the railroads, varying from 8,925 quarts to 12,000 quarts when an extra charge per quart is made for excess. On some roads the cream rate is 50 per cent higher than milk and while this is not true in all cases, attempts are being made by the railroads to raise the price on cream.

Systems of purchasing milk from the farmer varies with the location and generally depends upon the dealer who is operating in the territory. Some buy on a per can basis using the 8½ quart can as the unit, and prices range from 25 cents to 45 cents. There is usually a difference between the summer and winter prices. On the 100-pound basis rates vary from $1.10 per hundred pounds in June to $2.20 in December.

In some cases bonus is paid for a good barn score. Another method is that of butter fat basis plus skim milk, as for example, one concern pays 1 cent per quart for skimmed milk and pays for the fat at market rate which varies from 25 to 39 cents per pound. Cream is generally purchased on a butter fat basis only.

The wholesale price which the farmer receives for his milk varies from 2½ cents per quart in remote districts to 6 cents in certain sections near large centers where a high class milk is in demand. There has been so much sharp practice about paying farmers for their products that many of the states have enacted bonding laws which provide that any dealer doing a milk buying business in the state shall furnish a bond satisfactory to the state official and this bond shall secure the prices paid for the milk purchased in the state. Contracts, however, are made with the farmers varying from weekly to semi-annual payments and in many cases no contracts are made at all.

An analysis of the various costs of each operation in the handling of milk shows that collecting varies from .006 to .003.

Country plant, when pasteurized in country	.007	.004
Railroad transportation	.005	.004
City plant—minus pasteurization	.005	.013
Distribution—family trade	.03	.02½
” retail stores	.02	.009
” wholesale trade	.005	.011

Total Cost of Producing and Handling Milk

Thus we see that the cost of milk handling and processing is about 2½ cents; that the cost of distributing to family trade is about 3 cents, and that to the retail stores about 1½ cents; to the wholesale trade ¾ cent. When we add the price paid to the farmer to this cost of handling and distributing, we have the following cost of bottled milk delivered to consumers:

Price to farmer	2½—4c
Processing	2½
Delivery	3
	8 —9½c

One big factor which enters into the cost of delivering milk in bottles is the breakage, which has to be borne by the dealer. The extra cost of pasteurizing, while adding to the expense of processing, has not materially figured in a rise of prices as yet. Other costs such as icing cans, handlng milk at stations, hgher prices of labor, depreciation on cans, have all had their share in the general problem, and in complaining about the high prices, consumers are not apt to consider these carefully enough.

Many attempts have been made to reduce the cost of family distribution. Municipal distribution has been suggested; another suggestion is to organize one company for this purpose alone, but as yet nothing has been done. The dealers' objection to central plant delivery seems to be based on the loss there would be in teams and trucks standing idle after they had made the central delivery, also of the difficulty of stacking the various sized containers; also that customers might not be able to get extra milk of the brand they are used to; that the loss in bottles would be greater, and that there would be extra expense involved in collecting bills and soliciting trade.

That many of these objections might be removed by the dealers seeking to standardize containers and products, to centralize milk stations and in general to coöperate with each other does not seem to have entered their minds. That dealers can reduce the cost of operating and distributing so that there will be a larger demand for clean, whole milk is certainly possible.

Milk Still the Cheapest Food

Consumption prices vary with the quality of the milk, although there is no standardization by states or cities. In a few cases, dealers and producers near to the city are guaranteeing a 5 per cent milk for which they get a high price. General prices range around 8 to 10 cents for ordinary bottled milk to family trade; 6 to 8 cents for retail store trade, and from 5 to 7 cents wholesale. Cream, which is not sold on any standard basis ranges in price from 30 to 80 cents per quart to family trade; 25 to 50 cents to retail stores, and from 20 to 42 cents per quart wholesale. As far as price is concerned, the consumer really has nothing to complain of; for did he but know it, *at present prices milk is the cheapest and most digestible food than can be bought.* If consumers want fancier conditions in the production of milk they must be ready to pay for it, and it is inevitable that the tendency of milk prices will be toward a higher level. The farmer in Massachusetts anyway must get an average of 5 cents or better the year around for his milk, and while the time may still be distant, sooner or later dairy farmers will form an organization strong enough to demand it. It is safe to say that an additional cent a quart on the price to the farmer would do more to better dairy conditions than all the restrictive legislation that has ever been passed. Undoubtedly with a rise in price a much larger supply of milk would be produced and in order to take care of it a concerted advertising campaign on the food value of milk will have to be undertaken by dealers with the idea of increasing consumption.

How Advertising Can Increase Use of Milk

As a matter of fact such a campaign should be undertaken any way as the consumption of whole milk is actually on the decrease, while that of cream has greatly increased. Many causes have helped in the decreased consumption of whole milk, among which are the lack of knowledge on the part of the consumer as to food value of milk, the use of milk powder, condensed and evaporated milk, both by bakeries and in the homes, and the lack of confidence on the part of consumers owing to continued agitation by crank reformers. On the other hand, the increase in the use of cream is largely due to the greater use of this product in summer for making ice cream and various summer drinks, and also to a more expensive scale of living on the part of a large proportion of our population. So far as can be gathered, the shipment of milk to Boston amounted to about 104,035,461 quarts last year, coming from Maine, New Hampshire, Vermont, Connecticut, Massachusetts, Rhode Island, New York and Canada, while the year before 106,672,315 quarts were brought in, showing a decrease of over two and one-half million quarts. This can be partially accounted for by the fact that the increased receipt of cases of condensed milk amounted to over 100,000 in the came period.

The chemical standard for milk in the New England states varies widely, but an effort is now being made to pass a uniform law for the 6 states in regard to the chemical content. At present the standards are as follows:

	Per Cent Total Solids	Per Cent Solids Not Fat	Per Cent Fat	Per Cent Cream	Per Cent Skimmed Milk
Connecticut.........	11.75	8.5	3.25	16.0	....
Maine................	11.75	8.5	3.25	18.0	....
Massachusetts	12.15	....	3.25	15.0	9.3
New Hampshire	12.00	....	....	18.0	8.5
Rhode Island........	12.00	....	2.5	....	....
Vermont*	12.50	9.25	....	....	....

* In May and June the solids are 12 per cent.

While there are no grades established for milk throughout New England and while the standards of butter fat and total solids vary in the different states, still there is a highly organized system of inspection, especially by the state of Massachusetts as well as cities and towns all over New England, and certain kinds of inspection are done by the milk dealers themselves. This inspection might well be classed under 3 headings:

1. City inspection or laboratory work on the milk itself.
2. Country inspection by the agents of cities, towns, states, and by the government of farms and country shipping stations.
3. The more or less general supervision given to all this by inspectors employed by the state.

Boston maintains a corps of 8 inspectors who visit, in so far as possible, the 7,600 dairies from which she draws her milk supply, and at the same time maintains an elaborate laboratory in Boston where analyses are made of the milk taken from farms, milk stations, wagons and stores.

The splendid supply of milk in many of the small cities and towns is entirely due to the work of these inspectors, of which there are about 60 in Massachusetts, and who, on their visits to farms supplying milk to their cities, have been able to get the farmers' confidence and by so doing to realize the benefit to all concerned in improving the milk supply of the state.

Need of Tact in Milk Inspection

Unfortunately, in Massachusetts at least, milk inspectors have, in many instances, by antagonizing the farmer, done much to reduce the quantity of milk produced and consequently the number of cows kept.

That it is possible for towns to coöperate for better inspection is proven by the work of 8 towns in the Metropolitan district, Wellesley, Belmont, Canton, Framingham, Melrose, Needham, Weston and Winchester. These towns with a combined population of 60,000 now maintain a coöperative laboratory for the purpose of making bacteriological and chemical tests of milk. A milk inspector is employed by the 8 towns, and in this way the inspection of dairies and monthly tests of milk can be made more cheaply and satisfactorily, as it pays the inspector to give his whole time to the work.

Our farmers, like those of the rest of the country, are averse to coöperating in any movement which if condcted properly would lead them forward to better things. Still there are some coöperative creameries in New England and in favored localities they are doing fairly well. There seems to be a movement in Vermont to establish more of these coöperative creameries, as it has been pointed out to the farmers that it is a suicidal policy to sell their whole milk for less than the value of the butter fat it contains.

Coöperation in cow-testing associations is growing but as yet no report has been received of any coöperative selling organization controlled by the farmer.

That all kinds of unfair methods have been practiced on the farmer because he has not organized is true. He has had to accept discriminatory railroad rates and low prices for his milk; has not received an adequate return when paid on a butter fat basis, has seen attempt at organization fail when persons supposedly trusty have proved unfaithful and while coöperation may solve this much vexed question, the difficulty lies in proving this to the farmer.

In summing up the whole milk situation in New England, the factors which stand out most prominently in the marketing question are:

The wide geographical distribution of the producers whose whole products come to one market.

The utter lack of knowledge of the costs of production by these same producers.

Their utter lack of coöperation (to standardize their product) in production, shipping and marketing.

The absolute control of the transportation of milk by the dealers using the leased cars and their further monopoly of the city markets by controlling the milk stations, and through the control of both trains and city delivery, their ability to dictate prices to the farmer.

The lack of a definite grading and a standardization system.

THE DISTRIBUTION OF WHOLE MILK IN THE CITY OF CHICAGO

W. J. Kittle

Secretary, The Milk Producers' Association

I come to you today representing 12,000 farmers, called dairymen, with a capital invested equal to $300,000,000. This is the working foundation of what I have to talk about this afternoon. These men are scattered over a territory reaching out about 100 miles in the surrounding country, in circumference about the city of Chicago, and are shipping the product to the city of Chicago, that it may be distributed here. They represent or control 375,000 cows and they must have these cows on their farms for several reasons; but for 2 in particular, and I wish to take these up just a few moments later.

Now, as to why these men here are in the milk business, first. They are tributary to a fine market here in Chicago. I do not mean to infer or say that they are within hauling distance of this great market of Chicago, which is probably the greatest market in the world. I do not mean to say that, when I say that they are on the threshold of that great market,—I do not mean that they are within hauling distance. But I do mean to say that we no longer count miles as to distance, but we count in hours, and this market is within a 3-hours' run of us,—this great city of Chicago. Chicago is within 3 hours' ride of the territory from which it draws its milk supply, for taking care of its people in their requirements.

The first condition is this threshold proposition, and then the second is the taking care of the land. It is no longer doubted for a moment that if we let our land go without this fertilizer it will soon refuse to produce. We have thousands and thousands of acres in southern states that proves that and we have other thousands of acres in our own state of Illinois, that also proves that,—that where the cow is not there is no equitable product.

I myself, am old enough to know and remember instances where we are not able longer to raise over 6 or 8, or a possible 10 or 12 acres of wheat on the finest land in my county. I recall just such a condition and that was some 35 years ago, while today, or 1914, on that same land they raised 40 bushels of wheat to the acre. No cattle, no manure; no manure, no fertilizer. I will tell you why: Cows, manure; fertility and crop. No cattle, no manure; no manure, no fertility; no fertility, no crop.

Thousands and thousands of acres south of here, south of us here between here and St. Louis,—thousands and thousands of acres down there are not producing more than 6 or 7 or 8 bushels of wheat to the acre. And why? No fertility. No cattle, no fertility. No cattle no manure; no manure no fertility; no fertility, 6 bushels of wheat to the acre. These are some of the reasons why we must have our cows up here, and where cattle are now commanding the attention of the whole world, and its people are looking at them because of the fact, because the better cows will give more milk—because of the fact there will be 2 calves worth $35 each at the end of 2 years, and the cow will still have as much value as though she were a steer and had been kept and fed for 2 years.

Why Costs of Milk Production Are Rising

They want her not only for the beef production, but they want her—they get out of her 2 calves and still have her to send to the market. Those are some of the things that make us stay in the dairy business here around Chicago.

However, the high value of our land is causing the people to sit up and take notice of our immediate needs. And then we have to contend with the continued low prices of our produce, as just talked to you. The continued low price paid for our product is another thing that is causing the farmer to sit up and take notice of his business conditions.

Better business methods are beginning to come to the farmer because of the fact that he is beginning to realize that he is losing money on the job, and he cannot continue to stay in the business unless more money is going into it for him. We all are trying to reach a better standard and it costs money to get to that standard which they are now asking us to reach in our dairies, and yet the price to us on our product, has not advanced one-half a cent—one-half as fast as the standard has advanced. Milk that sold in Chicago at 8 cents—milk that is selling in Chicago at 8 cents today actually sold in Chicago 10 years ago at 8 cents a quart. There has been no advance in the retail price, and then when you undertake to show the cost of delivering it—the cost of delivery has increased and that cost does not come out of the men who deliver it to the consumer, but out of the men who stand back of him, and who produce the product.

What the Farmer Gets for Milk

The average price paid to the farmer for his milk is 3 1-24 cents per quart. I say that is the average price. All milk is delivered and sold at the standard of 3.3. The city ordinance requires the basis of 3.3, and I figure that it is bought on the basis of 3.3. And that same milk is sold at 8 cents a quart. We sell it for 3 1-24 cents a quart, and it is sold for 8 cents to the consumer.

The farmers are beginning to realize and learn that unless they have certain conditions on their farms in regard to their dairy, they are shut out by this and that plant where they can deliver their product and they are refused acceptance of their milk. It was done very seriously last fall. These men were scoring their dairy so low that when they figured the improvements and conditions that had to be met their dairies are no longer a profit to them and they have to get rid of some of their stock and buy new. The cost is getting to be so heavy that the farmers are unable to bear it and meet it and make anything out of the proposition.

Let me just tell you something: We have instances of men who come into our dairies on our farms and they can often find no excuse whatever for finding any fault with the farm or the dairy, and yet over in one corner just because there isn't a window or some such thing, they often suggest that he must have the right kind of light and the right amount of light in his barn and he must put in a window there.

As a matter of fact that window is not any more necessary than it is in our houses, but we must do that or have the market shut our milk out. And we must have sanitary milk stools and such things.

Those are some of the things. All such foolish things are done by men and for the men who give them a job, and they think that they must make good in some way and report something wrong. They go into a barn and say to a man that owns the barn, "You haven't enough light in your barns for the cattle," and then the man turns to them and asks them how much light do we have to have. He says that he does not know, and then the farmer says, "How do you know what I should do?"

Intimidating the Farmer

These things are intimidating the farmer, because we know that a report like this will result in word coming to us from Chicago, saying that we must hold our milk home until we are instructed by the board in Chicago to put our milk in again. I will go in to see the authorities in Chicago and ask them what is wrong. He gets out his report to see what was to be done there, and I show him that I have provided the windows required in our barn, and he says, "I didn't understand it, and you may go ahead," but I have been held out and I have lost the difference between what I should have made and what I have kept at home, and which I must dispose of as best I can.

Those are some of the conditions we are meeting in Chicago, all the time. I am not saying that the men who boss these inspectors are entirely to blame, but I do say this, that incompetent men do the inspecting, and that sometimes gets us into trouble and is causing us more trouble all of the time, and we are suffering for it.

The Chicago milk buyers are able to buy milk so low that they are able to sell it for 3 times what they pay for it.

The producer must make his milk off land that costs from $150 to $250 an acre, and the interest on which is $12 an acre to start with. He must make that same milk from cows worth $100 each and feed them concentrated feed at a price of from $20 to $30 a ton. All this, to produce milk at $1.60 per hundred pounds. He gets $32 per ton for the product made by the use of feed that costs $35 to $40 per ton. I want to ask you this afternoon, if you can do it? We cannot, and it is impossible for us to make $32 a ton milk out of $35 a ton feed and continue.

We cannot do it unless we have a side issue. Of course, they say to us, "You have all these side issues, fertilizer and young cattle to sell and hogs, etc." And so we do. If we did not we would have to leave the farm now. And men, I have this to say to you, that I have seen sale notice after sale notice all over the country down here, and every one of those bills say, "Having decided to quit dairying, John Jones will sell his farm." One man who is also a landlord and with boys in his home to help him in his work, sold out saying, "I cannot stand it any longer." He is quitting farming because he says, "I can no longer make $32 milk out of $35 a ton feed." These are some of the cases I want to tell you about. These are some of the causes.

The Dairy Farmer's Dilemma

And when men are unable to take care of their boys,—what are they to do? There is a man seated in front of me this afternoon, who said he was unable to take care of his boys without putting them into other jobs, and when that condition happens, men, no wonder that boy drifts to the city and the girls follow.

I am not talking to you on this subject, just to be talking. I am putting to you, men, this afternoon, good, solid, hard, cold facts, and we are trying to right these conditions we have every day.

The father and the son and the daughter and the mother, and all the rest of the family work from 4:00 o'clock in the morning until 8:00 or 9:00 o'clock at night, to produce and gather together the necessary feed, such as hay, grain, etc. to feed the cows and to care for them. They work thus together all year round, and at the end of the year, with combined economy and labor, they will not be able to save enough money to just pay the daughter, if she sat at the typewriter for a year in some office.

That is no exaggeration. I am telling you this afternoon that that is the case. Your daughter could make that amount of money sitting at the typewriter for the year, and yet, that whole family has worked from 4:00 o'clock in the morning to 8:00 or 9:00 o'clock at night to bring about the result she does by working from 8:00 in the morning to 4:00 or 5:00 o'clock in the evening. And she would have gotten the same amount of money for it I am telling you.

Do you wonder why they don't stay on the farm? I do not. Do you wonder why they try milking machines?

The state experimental stations have decided that no man can make a quart of milk, and get a profit out of it cheaper than at 5 cents a quart. No man can make a quart of milk and make a profit out of it on the farm unless he gets 5 cents for it.

But we are not asking that. We are asking of the men who sell the milk that they divide "fifty-fifty" with us. We are asking for 4 cents. A speaker at this conference said that they got 4 cents in the East. Three and one twenty-fourth cents is what we got during the entire last year.

Now, I am putting up to you this proposition this afternoon. All that we ask is one-half of what they are getting. The consumer pays 8 cents a quart, and we are getting 3 1/24 cents. We are asking for a "fifty-fifty" division. If they sell their milk for 7 cents, we are willing to take 3½ cents. But they are not. They are selling it for 8 cents, and as has already been told you this afternoon, the cheapest thing that goes on our tables today, is that quart of milk at 8 cents a quart. No other article of food on the table, is as cheap as that is, or anywhere nearly as cheap as 8 cents a quart on this milk. Eight cents is the price it has sold for and has been sold for for 10 years, and so, this afternoon we say that we are only asking for one-half of that.

Dividing the Consumer's Dollar

Think of it. Of the consumer's dollar, when we get 3 1/24 cents a quart, we get 27 cents of that consumer's dollar, and they get 73 cents. I do not know what it costs the Bowman Dairy Company or Borden to deliver their milk in the City of Chicago. I do not know that. I do know that it costs us far more than 3 1/24 cents to make our milk on the farm.

I do not need to go into the figures and work it out for you. You know that; I know it. We are willing to divide with the man who sells it at the other end of the route, and if he sells it for 8 cents,—if he can stand to sell it at 8 cents and deliver it at 50 per cent, we will try to stand the other 50 per cent. That is all we are asking.

Dealers have overhead expenses. But the producer has not only his overhead expenses, but his basement expenses. He has all that and more, and at the end of the year he must have been very careful to get 3 per cent on his investment.

TURNING THE POTATO LOSSES INTO FARM PROFITS

H. E. Horton

Agricultural Commissioner, American Steel & Wire Company

Standardization is the nubbin of marketing. Grading is unsatisfactory or impossible without the means of using the off grade stock at a profit. The production of potato flakes and potato starch, solves the question of marketing.

There is an erroneous opinion prevalent that new lands in the potato growing districts do not need fertilizers. I have traveled a number of times over the Michigan district and spent several years in the Wisconsin district and I have never seen any peculiarity in the light sandy loams that characterizes the potato growing districts that would except them from the necessity of using fertilizers.

There are specially favored regions in the United States where the potato grows to perfection. At present, in all these localities, the production per acre of potatoes could be increased, and the quality, from the industrial standpoint, greatly improved: the first, yield per acre, by the intelligent use of fertilizers; the second, low quality, by plant selection or the introduction of new varieties.

There is no good reason why these potato districts should be held back in their legitimate development that more corn may be grown in the corn belt.

The great obstacle to potato growing is ignorance—ignorance of production and possible industrial uses. Another serious obstacle to potato growing is the defective marketing systems. The root of the marketing question is grading or standardizing, and the establishing and maintaining of a standard is only possible when there is a profitable use for stock which does not come up to the standard.

Another obstacle to potato growing is the occasional abnormally big crop that is handled in a manner to demoralize prices and discourage the grower. A means for converting the excess production of a year into non-perishable form will take care of the big year.

In the United States, economic thought has not grown to the point when an analysis of the uses, to which a crop is put, receives deserved attention. Obviously the uses for potatoes are the table, industrial, and livestock feeding. A priori, there is no reason why more potatoes should not be used on the table, why high grade potato starch should not be made at home, and not imported, why feeding livestock with potatoes should not be a general practice.

To learn of the opportunities connected with a big potato production it is only necessary to turn to Germany and study the production and uses of the potato crop.

Area Devoted to Potatoes

A careful census shows in one year in Germany the production of 1,579,533,333 bushels produced on 8,151,000 acres (the potato acreage in the United States in 1912 was 3,711,000 and the production 420,647,000 bushels, a little more than a quarter of the German production).

In Germany potatoes occupy two-thirds of the total area given to tilled crops, and this means 12.3 per cent of the total area.

Uses Made of Potatoes in Germany

Economic studies in Germany are well advanced and a study has been made of the uses of potatoes. The following figures are very interesting and should be of great interest to everyone in this country interested in the production of this crop:

440,800,000 bushels of potatoes used on the table;
91,833,333 bushels of potatoes made into alcohol;
51,426,666 bushels of potatoes made into starch;
191,013,333 bushels of potatoes used for seed;
646,506,666 bushels of potatoes used for feeding cattle:
157,953,333 bushels of potatoes lost (10 per cent of total production).

The potato furnishes 25 per cent of the necessary food of the people of the German Empire.

In the families of the German workingman potatoes constitute 50 per cent of the food consumed.

Dried Potatoes or "Potato Flakes"

The drying of potatoes is an almost unknown art in the United States, while in Germany it is a well established, profitable business.

In Europe potato flour is used regularly, and special cook books are published for its utilization in all kinds of bakery goods. The immigrants from Northern Europe, accustomed to the use of potato flour, have created a market for that commodity in this country. In 1913, the last government report we could obtain, showed 16,710,498 pounds of potato flour and starch imported. The war cut off the supply, but the demand still exists and there is an excellent chance to make big money manufacturing potato flour in this country from the unsalable potatoes and the culls, now almost a total loss.

Potato flakes can be turned almost instantaneously into mashed potatoes, the great American national dish, and when put up in neat and attractive cartons, sold at the grocery, the flakes certainly will find a ready market. In mining and logging camps, where fresh potatoes are scarce, flakes would fill a long felt want. Flakes would also be welcomed by the busy housewife in large cities; "Bring to a boil and serve," which has been the slogan for other commodities, would be appreciated and accepted to save the trouble of boiling and mashing the potatoes.

But where potato flakes will become indispensable, once introduced, will be in the army and navy and the fitting out of camping parties. Other vegetables can be canned, but the canning of potatoes has not proved to be a success. Dried potatoes can be kept almost indefinitely, and besides this, another marked advantage of the drying process is that it reduces the weight of the potato about three-fourths, and this permits the shipping of potatoes in dried form great distances without danger of deterioration.

Before the European war the Chicago importers sold potato flour at 5 and 6 cents per pound in bulk.

"Potato Flakes" or Food for Livestock

Added to the use of flakes for human consumption potato flakes is a most important feedstuff for farm animals.

Horses eat the flakes readily and during a long period show no aversion to the food. Fed on flakes the animals have a noticeably "better fed" look, and they perform hard work without any bad effect. No indigestible food is found where flakes are fed. Colic is less common.

Health, working capacity, and endurance are maintained by the use of potato flakes.

If times permitted the same good effects could be described when the potato flakes is used for swine.

Naturally potato flakes lacks protein matter and this substance must be supplied by one of the other ingredients of the ration. (This is true of the other feedstuffs having high starch content.)

Naturally many different means have been proposed for drying potatoes, but one only has forged ahead to become a commercial success.

The successful process is one of great simplicity and consequently lends itself perfectly to the establishment of the small country unit, the ideal end. This process consists in steaming carefully cleaned potatoes, mashing and drying the mashed material on revolving steam drums or cylinders.

Composition of "Potato Flakes"

The dried flakes ready for use have the following composition: tion:

Moisture	12.0 per cent
Albumen (protein matter)	7.4 per cent
Fat	0.4 per cent
N-free extract	74.0 per cent
Fiber	2.3 per cent
Ash	3.9 per cent
	100.0 per cent

Naturally the yield of flakes depends upon what substances are in the raw potato and their quantity.

Composition of Raw Potatoes and Yield of Flakes from 100 lbs. Raw Potatoes

	Pounds						
Starch Content	12	14	16	18	20	22	24
Dry Matter Content	17.8	19.8	21.8	23.8	25.8	27.8	29.8
Yield Potato Flakes Containing 15 Per Cent Moisture	20.9	23.3	25.7	28.0	30.4	32.7	35.1
Yield of Potato Flakes	12.54	13.98	15.42	16.8	18.24	19.62	21.06

The kind and size of an agricultural industry possible to establish in a farming community is determined by the degree of culture or development of the people in the section.

There are many localities in which simple manufacturing processes might be established to work over the produce of the section. There are a few localities in which a fairly developed process might be established with success. With a single exception, it is doubtful if there is a locality in which the highly developed industry may be successfully operated. Referring this thought to potatoes, this means that there are many localities in which potato flakes might be made, few localities in which the industrially more developed potato starch might be made, and it is doubtful if there is a locality where alcohol from potatoes might be made.

Starch From Potatoes

It will be of interest to make available information on the subject of how much starch may be obtained from potatoes. The following table gives this information:

Yield of Dry Starch per 100 lbs. Raw Potatoes

Per Cent Starch in Raw Potatoes	Very Good Factory Work	Good Factory Work	Medium Factory Work	Poor Factory Work
	Lbs.	Lbs.	Lbs.	Lbs.
12	10.8	9.9	8.3	5.4
14	13.2	12.3	10.8	7.8
16	15.6	14.7	13.2	10.2
18	18.0	17.1	15.6	12.6
24	25.2	24.3	22.8	19.8

In the production of potato starch there is produced a by-product of some value in the feeding of domestic animals. This by-product, potato pulp, has the following composition: Water, 86.0 per cent; ash, 0.4 per cent; fibre, 1.8 per cent; fat, 0.1 per cent; protein, 0.7 per cent; N-free extract, 11.0 per cent. The nutritive ratio of this potato pulp is a very wide one, namely, 1:14.6.

This pulp may be fed cooked or ray, but on the whole the results from feeding the cooked pulp have been the better. To balance this ration dry substances and protein are needed and the following ration for a 1,555 pound milch cow is a good one: 8 pounds hay, 50 pounds pulp, 7½ pounds stray, 2 pounds cottonseed meal cake, 1 pound palm oil meal cake, ½ pound meat meal, ½ pound peanut meal.

THE STANDARDIZATION OF FARM PRODUCTS

LEGISLATION FOR STANDARDIZATION

CHARLES MCCARTHY

Chief, Wisconsin Legislative Reference Library

We in the United States, driven by the spur of the high cost of living, and with the example of the organization of all other industry before us, have suddenly awakened to the fact that our agricultural organization is in a chaotic state. The examples of efficiency such as presented by the Ford works, the recent investigations of the department of agriculture in Washington, the studies made in Europe of standards and brands, have all resulted in a flood of legislation on marketing of allied subjects and especially on standardization. This is essentially a good movement, for without standards no real progress towards marketing efficiency can be brought about. To say standards shall exist and to define them is one thing, to carry them out is another. Ultimately no legislation will succeed without organization any more than legislation would successfully put into being the Carnegie steel works or the Ford works. We cannot say by law "A standard of apples or a standard of butter is hereby established." We must have some organization to see that that standard is administered.

The subject presents a hundred phases which cannot be touched in a short paper of this kind. We hear returning students speak of the Danish brand or the Swedish brand or the Dutch brand but very few point out the patient care necessary to bring these brands into being and the whole basis of standardization and organization necessary to bring about a brand. Students in our universities are too prone to think one can get up a livestock breeders' association or a potato growers' association and thereby standardize produce. It cannot be done in that way any more than it can be done by legislation.

Where to Begin Standardization

A potato growers' association may be organized. It is true that improvement of the seed may come to a certain degree through such an organization but, if you are to standardize potatoes over a large area, the ordinary farmer has got to see how he is going to get money out of it. That means at once that those who have a certain standard potato can sell them together in such large quantities that they will get the whole benefit of producing these standards. If farmer A has a few potatoes and farmer B, five miles from there, has a few of the same kind of standards, they may not be any better off than if they produced any old kind of potato. Farmers A and B and C and D and E and the rest of them must unite and get a warehouse where the grading can be done and a label can be put upon the sacks and where, by telephone or telegraph connection, the produce can be sold to the best advantage. Once you have this you can make the farmer see that his brand represents certain standards and those standards must be kept. If the organization is large enough and powerful enough like the Sun-Kist Orange, it can then register its brand, advertise it and put it upon the market the same as any corporation would do but this requires a large organization and can't be done every day.

Federal Legislation Meets Handicaps

How then can we arrange all grades for a locality, for a state, for a nation? We can arrange, of course, what the capacity of a barrel is or define a certain kind of measure but when it comes to the quality of the goods or the grade there we are in difficulties at once. To do it in a national way in most produce at least seems an impossibility. I am aware of the existence of such laws as the U. S. standard barrel law and the U. S. apple grading law—the so called Sulzer law. They may be of considerable use and they are of considerable use. After all they cannot be carried out effectively except by a vast system of education going over a long period of time. We have many laws now coming on our statute books, such as the Massachusetts apple grading and packing law. When one looks at the definition of the different qualities or grades of apples set forth in these laws the difficulty of administering them without thorough organization is at once apparent. In the Massachusetts law the kinds or varieties for 4 different grades are defined,—the maturity, how picked, color, shape, size, condition, diseases and fungous growth, insect injuries, bruises and other mechanical injuries, how packed, etc. When one reads under the heading "conditions" the simple word "sound", one is struck with the fact that that means nothing unless there is a vast system of education to show what a sound apple is. It, after all, must be backed up by an organization and a brand. No such definition can be carried out without an organization. It may be that the organization brand can be supplemented by a state brand as is done in many countries. The brand of the California Sun-Kist orange may be on the box and represents certain standards. There are also, however, many different grades, or producers who have their own brands. I think it well that a brand representing the state can be issued to all carrying out certain standards. This brand could be uniform, could be registered in the state and copyrighted nationally. All who graded in a certain manner any kind of produce could get the brand for that produce but would have to buy the brands from the state. All such brands should have numbers in serial in some way upon them so that, if the goods of a particular association happened to be picked up in the market, they could be traced back to the original packers and those packers held responsible.

An attempt to define too closely the different grades or qualities of different products will, in my opinion, lead to confusion. I do not think a human being lives who can define these grades for one state or for the nation. It seems to me that a far better way would be to create an administrative body and give this body the right to make rules. The rules should be made by this central body with the advice of those who are actually doing the marketing or producing goods so that the grades will not be too far in advance of the producer. Once these rules are made the law should then provide that whoever complies with these rules should be given a state mark of some kind with a serial number upon it and this should then be applied to all such products. In this way the rules can be changed from time to time or grades established. In other words, the Commission would read the word ''reasonable'' in this act by this manner of doing business.

Once the brand is determined upon by such a body it should be sacredly preserved and the state body should be given the right to advertise the brand. In this manner too it would not be hard to get uniform brands for certain kinds of goods reaching over state boundaries for a Commission from one state could meet with the Commission from the other and uniform rules could be made without going to the legislature. The producer of butter under this system could go to the state department when he produced a certain kind of butter under the rules laid down by the state department and, in addition to his own brand, get a state label just as it is done in Denmark. If one thousand manufacturers of butter got this state label, at once an organization would be formed and the products of all of these organizations would be practically made uniform. A system of self inspection would be established to keep up the standards, supplemented by occasional inspection by the state administrative authority. In this way the difficulty of exact definition of grades would be avoided, uniformity between states brought about, elasticity to meet the varying conditions of trade accomplished, the ground work of organized selling laid, the amount of standardized produce in existence statistically ascertained and a workable system arranged. It is my opinion that this would lead directly to real coöperation.

I do not believe we can standardize produce without having the organization on the same coöperative basis as in Europe. We must, to get real standards, extend the quality of the goods down through to the most minute producer. We must standardize methods of production all the way down to get the standard at top and I maintain that this cannot be done without organization, coöperation, the establishment of control boards and ceaseless education. All of this means the establishment of coöperative enterprises under coöperative law. State legislation, branding, standardization and coöperation all go together.

MARKET GRADES AND STANDARDS FOR FARM PRODUCTS

Charles J. Brand

Chief, Office of Markets and Rural Organization, United States Department of Agriculture

To the casual observer the statement I am about to make may sound both radical and improbable. Nevertheless, I believe, after a careful consideration of the matter, that it is absolutely true, namely, that standardization is the fundamental basis of progress in every field of effort. I think if you were to examine carefully into literary and religious progress, progress in the arts and sciences, as well as progress in commerce and industry, it would be found that the greatest era of forward movement accompanied standardization whether in method, thought, construction, material, or otherwise. The enormous modern development of the steel industry is due largely, though of course not wholly, to the standardization of patterns, processes, equipment and method. Today the steel products from hundreds of plants can be intermembered in the construction of any one of a thousand important types of structure. The same, in a measure, is true of the essential parts of scientific instruments, and the great popularization of the microscope is largely due to the standardization of oculars and objectives through which the "makes" of practically every manufacturer can be used upon the apparatus of every other.

The chief subjects before this Conference are marketing and rural credits. Progress in these 2 departments of activity is just as surely dependent upon standardization as in any that I have cited. As to rural credit, many other speakers will address themselves to this subject. Therefore I will merely say one word about it to emphasize the importance of standardization. A sound, practicable, useful rural credit system depends almost absolutely upon standardization of at least 2 things. There are probably many others, but without standardization of title registration and the obligations that are to be issued as security, the institution of rural credit can scarcely become a successful one in this country. When I speak of standardization in these respects I mean standardization throughout every process involved in the issue of debentures of any character.

Standardization Serves Two Great Purposes

Coming now to the question of standardization for purposes of marketing and distributing farm products, to my mind 2 great purposes can best be served by a thorough-going system of grades and standards. These are the furnishing of an accurate basis for price quotations, and related thereto, the furnishing of an adequate means for the dissemination of market information. We can never have much progress until the buyer and the seller are discussing the commodity in the same terms, and that means that we must have grades and standards not only as to quality, but as to packages and containers.

Considerable progress has been made in the standardization of a number of products. It is probably true that they have thus far been applied more generally and successfully to the cotton crop than to any other farm product. Wheat probably stands next in the degree of elaboration of grades and standards for market purposes; then follow corn and other cereals, and then of the products of great value probably comes butter, and so on through the list of agricultural commodities. There are relatively well-understood grades of the various kinds of hay, agricultural seeds, and to some extent of fruits and vegetables, but with reference to the latter the greatest diversity exists.

Even in the case of products for which certain standards are recognized there is no uniformity. Take apples by way of illustration. In the box apple country of the Northwest where considerable progress has been made in grading and packing, three grades are recognized—Extra Fancy, Fancy, and Grade "C." In Colorado which is also a box apple section, the following grades are recognized: Extra Fancy, Fancy, Extra Choice, Choice and Standards.

In the case of the Northwestern fruit, ignoring for the moment the question of variety, extra fancy usually means 163 apples or thereabouts to the box; fancy from 188 to 200; while grade C includes all merchantable fruit not included in the two other grades.

In the State of New York, apple grades have been fixed by law under the following names:

New York Standard Fancy grade, New York Standard "A" grade, New York Standard "B" grade, and Unclassified.

The well-graded New York fruit is said usually to be sold within the state, while the unclassified fruit is shipped to neighboring states. This represents a kind of dumping which is not altogether desirable, and which uniformity of standards would eliminate.

State Action Difficult to Bring About Uniform Standards

Several years of study forces the conclusion that only by legislation can uniform standards for quality and containers be erected. To illustrate the great difficulty of bringing about uniformity through the enactment of uniform state laws, I will cite the experience of only one enactment, though several others could be cited with almost equal force. In 1896 a conference of commissioners on uniform state laws completed the preparation of what is commonly known as the Uniform Negotiable Instruments Act. In spite of much patient endeavor, the lapse of 19 years reveals that only 38 of the 48 states, the

District of Columbia, and the Hawaiian and Philippine Islands have adopted this progressive and valuable piece of legislation. If we depend upon legislation by the separate states, in the very nature of things, progress will be exceedingly slow and will have been secured through a very wasteful expenditure of effort.

Standards for Cotton Grades

The application of standards to cotton has already been mentioned casually. The first definite reference to cotton grading occurs in connection with the marketing of cotton in Liverpool, England, about the year 1800. The records of cotton transactions prior to 1793, when Eli Whitney invented his cotton gin show a growing tendency to differentiate qualities. The great increase of production resulting directly from the invention of the gin stimulated the need for standards of quality, so that by 1800 several had become fairly well recognized. There has been a gradual extension of trading in cotton by grade until now the major part of a crop varying in annual value between a half billion and a billion dollars is dealt in mostly on the basis of grades.

In 1870, when future trading was introduced on the New York Cotton Exchange, grades were in use in this country, but in spite of the lapse of over a century, there are still no universal grades for American cotton. In 1909, after careful investigation by the department of agriculture under authority of Congress, a new set of cotton grades was prepared by the department and issued to the trade. Although these grades were received with considerable satisfaction, they still apparently left something to be desired if they were to be put into use through purely voluntary action, as it developed between the years 1909 and 1913 that while many cotton markets took formal action of adoption, they, nevertheless, did not faithfully use them. When Congress, after years of agitation throughout the cotton industry, enacted the United States Cotton Futures Act on August 18, 1914, a section was included therein covering the question of standards and making them compulsory in the settlement of all future contracts on the great exchanges in this country in case of delivery of cotton thereunder.

Working Out New Standards

Under the authority conferred by the act on the secretary of agriculture, a renewed investigation was made and a new standard, differing slightly in a number of respects from the one prepared in 1909, was elaborated and promulgated on the 15th day of December, 1914. That this standard was received with satisfaction by the trade is indicated by the fact that in less than a year in the neighborhood of 600 sets of the copies have been purchased by the trade. This is undoubtedly the greatest number of any cotton standard that has been issued in an equal space of time. Still much remains to be desired, particularly with reference to trading in American cotton in foreign countries.

Representatives of the department were sent to Liverpool, Bremen and Havre, the great future trading markets of the old world, in the hope of securing universal adoption. Thus far none of these markets has taken favorable action, though all are apparently agreed as to the excellence of the standard.

Furthermore, there still occur a large body of transactions within the United States based not upon the official cotton standards of the United States, but upon the Liverpool standards, upon the old American standards, and upon numerous locally recognized grades. However, conditions are improving.

I have merely gone into this detail to illustrate what I believe to be the relative hopelessness of securing uniformity by any method other than federal legislation.

This body will be interested in a few matters of detail which illustrate how carefully the work of standardization is done and how the results of it are safeguarded. Before the official cotton standards of the United States that were promulgated on December 15, 1914, were adopted, over 100,000 samples of cotton, taken from over 100 primary cotton-producing points throughout the cotton belt, were carefully graded by the permissive standard established in 1909. The suggestions and comments of the trade were secured and on a basis of many months of investigational work the necessary changes were decided upon. The chief complaint of the trade regarding our previous standard had been that it was too strict. In other words, it excluded cotton that was worthy of recognition. The new standard was applied to about 70,000 of the bales that had been previously graded, and it was found that approximately 12 per cent more of the average cotton crop would be included within the range of the new standard. Half a dozen sets of the standard, which had been tentatively agreed upon, were prepared by the cotton experts of the office of markets and rural organization, and then the most expert cotton classers of the great exchanges at New York and New Orleans were borrowed from the respective exchange authorities to assist in the final working of the types.

When the last detail had been agreed upon, the work was approved by the secretary of agriculture and the preparation of 100 complete sets was undertaken. The copy of the standard which is displayed here for your information will give you some idea of the labor involved. There are 9 grades of white cotton, and each grade is displayed by 12 types, making a total of 108 types in a set. About 600 sets have been sold in less than a year. Cotton for the standards is selected as far as possible to show properly the range of quality for the particular grade through the cotton belt. Not every type comes from a different state or different section, but practically every box represents from 4 to 7 different sections of the cotton belt. Many details of grade preparation have been incorporated in these standards that do not occur in any other standards hitherto prepared. Credit for the devising of several of these features is due to Dr. N. A. Cobb, of the bureau of plant industry of the department of agriculture.

The standards are sold with an agreement that they may be inspected during office hours any business day by the representative of the secretary of agriculture, whose signature and the certificate of grade may be cancelled if the grades are not found to be true to type. The price of a complete set is $20, which is just about the actual cost of all the features of preparation, including material.

A word about the safeguarding of the standards. A single copy was selected as the true and original standard. In this case 6 sets had been prepared from identical cotton to be as nearly identical as possible. The original has been stored for safekeeping in a steel safe in the vaults of the United States Treasury. Another copy has been stored in one fire-proof building, while 3 other copies are stored in a fire-proof vault vault in still another fire-proof building; and finally, in order that during future years the standard may be kept true, 25 sets have been placed in a vacuum in glass tubes, where they are subject neither to the influence of light nor air, so that they can be opened from time to time during the coming years for purposes of comparison and correction of the working types.

I have preferred to go into detail with reference to the work on cotton standards, which has actually been accomplished, rather than to outline work which is going on but in an incomplete state with reference to other products.

Grades For Perishable Farm Products

One section of the office of markets and rural organization is devoted exclusively to the work on grades and standards for fruits and vegetables, involving practically the whole time of about 5 men. During the past 18 months the major effort has been devoted to potatoes, tomatoes, strawberries, cantaloupes and peaches. These crops, except potatoes, which were chosen because of their great importance as a staple food, were selected on account of the fact that during the past season an experimental telegraphic market news service had been conducted with a view to determining the possibilities of such a service and the problems that must be successfully solved to make it valuable. In the course of this work it was soon found that we must have a common language for quoting prices. In fact, it was practically a necessity to adopt a uniform terminology for grades and packages before this telegraphic market news service work could be made of particular value.

In the course of this work, you will be interested to know, reports on demand, receipts, prices, market conditions, etc., were received from personal representatives or prominent firms in about 20 of the largest markets in the United States. These were telegraphed each morning to the office in Washington, where they were compiled and condensed and transmitted to the great producing sections for the particular crops included in the service. By night letter daily we secured from the great shipping areas reports as to carload movement and so far as possible the markets to which shipments were destined. This information was transmitted by telegraph to the representatives in the markets and was released by them. The railroads have coöperated most helpfully in this work. Those who participated in the experimental service during the season have expressed themselves practically as a unit in favor of the continuation of the work and in commendation of its value. However, as I have previously stated, the ultimate good from work of this character can be realized only after standardization has been brought to a much more perfect state than is now the case.

The preparation of standard grades for grain is handled by Dr. Duval of the Bureau of Plant Industry, who, I believe, is to speak to you, so I will not discuss this phase of standardization.

We are studying the question of hay grades, butter grades, grades for livestock and meats, and are also making preliminary plans for work in the standardization of wool grades.

A large corps of investigators, 25 or 30 in number, are engaged in the investigation, preparation and distribution of various standards for cotton, including grade, quality, color, length of staple, etc.

There were before the Congress at its last session, 2 proposals for national standardization relating to cotton and grain, requiring all of these commodities that are sold by grade and moved in interstate commerce to be according to the grades established by the federal government under the respective laws. Both bills passed the House of Representatives but were not reached in the Senate by reason of adjournment. Congress has also passed 2 laws known as the standard barrel laws; one covers apples and the other fruits, vegetables and other commodities. The former has been in effect since the first day of July, 1913, and the latter goes into effect on the first day of July, 1916. The latter has an interest that will appeal to you, due to the fact that it is based on the authority conferred by the Constitution on the federal government to fix standards for weights and measures. It is the first exercise of this power in many years for any purpose and the first exercise of it whatsoever for the purpose of standardizing containers for specific products. I think we may look to an enlarged use of this constitutional power in the future.

Other wastes and losses aside, I think it is true that the greater the accuracy of the standards by which products are sold, the smaller the margin between the price received by the producer and that paid by the consumer. This is equally true whether the product passes to the consumer in a non-manufactured state or in the case of products that must first pass to the manufacturer to be worked into consuming condition.

When standards are honestly applied, cotton for which the producer receives, say, 10 cents, rarely costs the spinner as much as 11 cents, which would in most cases be sufficient to include transportation. Indeed, in cases with which I am personally familiar, where cotton mills are located in cotton-producing territory, the margins are very narrow. In one case I have in mind, the cotton merchant acts purely as a factor and bills the cotton to the mill at just 50 cents a bale over what he pays the producer. This is only one-tenth of a cent per pound margin.

In the case of properly graded wheat, Professor Weld found in Minnesota that 90 per cent of what the miller paid went to the producer. As transportation must be paid, the total spread is relatively small.

In products difficult of standardization, or at present sold in ungraded fashion, it is not at all unusual for 50 per cent of the consumer's price to go to the intermediaries who accept the risk of handling such a product.

In passing, it is only fair that credit should be given to the various groups of intermediaries in the handling of farm products, who have worked out useful systems of grades for many products. Among these may be mentioned The National Poultry, Butter and Egg Association, The International Apple Shippers' Association, the National League of Commission Merchants, The Western Fruit Jobbers' Association, and many other organizations, including coöperative producers' societies. The press of the produce trade has also helped the good work.

Though exceedingly useful, the standards that have been elaborated by the trade leave much room for progress and the basis of that progress must be laid at the farm or very near to it. Complete and intelligent standardization of farm products for market involves:

1. The planting of standard market varieties and the elimination of many of the minor kinds now produced.
2. The standardization of methods of production.
3. Uniform methods of preparation for market.
4. The applying of standard grades for determination of quality.
5. The use of standard packages and containers.

Proper Grading Reduces Wastes.

It is in the long run almost suicidal for a producer or shipper to forward to the market ungraded products. To show you how great a volume of ungraded fruit is sometimes shipped, I may say that one of the investigators of the office of markets and rural organization found on the Chicago market, based upon observations made between September 15 and December 5, that approximately 25 per cent of the carload bulk arrivals of apples, amounting to about 350 carloads, and about 10 per cent of the barrel shipments, equal to 160 carloads, were so low in grade and quality that they would not have reimbursed the freight charges had this kind of fruit been received in straight carload quantities.

The shipment of poor qualities and ungraded product is ruinous to the whole market, both the good fruit and the bad. The most rapid development in the adoption of uniform grades and packages of fruits has been made in the states of the West where population is sparse and distances from market great, with high accompanying freight rates. Under these conditions the shipper can afford to send to market only those qualities that will command high prices. Here, too, other economic factors have forced organization in both production and distribution, and organization is one of the foundation stones of progress in the preparation and use of market grades and standards.

Not the least important of the questions of standardization are those that relate to the packages themselves in which commodities are transported or sold. In order to get an accurate idea of the diversity which prevails in this regard, Mr. More, who is in immediate charge of the work in grades and standards for fruits and vegetables, has made a collection showing the sizes and types of packages and containers current in the trade. I assure you it is a motley horde, and it is in itself a complete argument for standardization. No consumer could ever hope to know what he is getting in quantity in buying grapes. New York has one set of grape baskets, Michigan another, and still other grape territories other kinds. Some of them look very much like others, but contain less. Such confusion furnishes endless opportunity for manipulation and even dishonesty. In the case of strawberry boxes, not only is there exceedingly great variation in the cubic contents, but it is a common practice to repack from containers of greater capacity to those of less in distributing in and to the retail trade. Likewise, with peaches, the successful commercial orchardist packs his peaches in the 2-1, 2-2, and 3-2 packs according to the size of the fruit, particularly in the popular and generally-used Georgia carrier baskets, and often when he buys his own fruit he finds that where he had packed as high as 36 to 45 in each of the 4-quart baskets, the retailer has repacked them so that he will buy from 19 to 25 peaches in the same basket.

Standardization Proper Subject for Federal Legislation.

Standardization of containers is a proper subject for federal legislation under the weights and measures power of the constitution. As noted before, Congress has recently used this power in establishing the standard barrel for apples, cranberries and certain other fruits and vegetables. By virtue of this legislation the containers covered by what is commonly known as the Tuttle bill became standards of measure with the same force and legal effect as the bushel. This act applies to intrastate as well as interstate commerce. Undoubtedly this barrel will replace a large number of short measure packages which are used for potatoes, truck crops, fruit and other things, and which vary in capacity from 2 bushels up to 10 or 11 pecks. The standardization of apple boxes, berry crates and cups, and other containers is under consideration, and we may look forward to progress with reference to these. In some cases, even in the same state, there are dual standards applicable to the same products. In New York there are 2 sets of standard grape baskets. Legislation has been placed on the books in a number of states, and is under consideration in others, particularly New York, Maine, Massachusetts, Connecticut, Vermont and some of the Western States which will tend to uniform trading in numerous products.

The opportunities for standardization of grades and their application to products is greatest under conditions of organized production. Reciprocally, likewise, the possession of standards and grades yields through better market returns, the best dividends upon organization. The department of agriculture is working earnestly upon many of the problems related to grades and standards, and will welcome suggestions and assistance from producers, shippers and others that will lead to further improvement along these lines.

STANDARDIZATION AND COÖPERATIVE MARKETING OF CHEESE

J. B. McCready

Manager, Sheboygan County Cheese Federation

The method of organization, and the history of what led up to the forming of our federation was presented to you at your conference last year by our president, Mr. Krumrey, therefore it is needless for me to speak along those lines. Suffice it to say that we are now handling in the neighborhood of 7 million pounds of cheese annually, and are doing so to advantage and at a profit to our farmers, who are the real producers of the cheese, if not the actual manufacturers of it.

Nineteen hundred and fourteen, our first year in business, was a hard up-hill fight, owing to the opposition of some of our cheese makers who were annoyed at our farmers for taking the selling of the cheese and the figuring of the dividends and the payment for the milk out of their hands. We also had the opposition of all of the regular wholesale cheese dealers, who looked upon us as a menace to the old established order of things, and even the opposition in almost every one of our 45 factories of a few short-sighted farmers, who could not see far enough into the future to be convinced that when once established, our federation was bound to be a benefit to all.

What the First Year's Fight Won

Looking back on the year 1914, I can see quite clearly the following results:

1. If not very important at least quite noticeable, a great many additional gray hairs in a head that was once quite noted for its shock of red—commonly called auburn.

2. Less opposition from the cheese makers, who in the majority of cases realize that they are getting a square deal, and are receiving all that they are entitled to—namely, the price agreed upon for the manufacture of cheese.

3. Less opposition from the cheese dealers, who now recognize in us legitimate competitors.

4. A friendly feeling on the part of those farmers who were at first antagonistic to this federation They realize it is a good thing that the figuring and paying of their money is now in their own hands, and also that we are interested in getting the highest possible price for their product—that we stand as a barrier between the local dairy boards of trade and the buyer to prevent the arbitrary fixing of board prices.

In fact, we have been a benefit to the farmers outside of our organization as well as to those who belong, inasmuch as we do cut enough figure to make it impossible for the dealers to drop prices unreasonably low during the season of greatest production, at the time when the dealers are storing large quantities of cheese for winter use. The fact that we have benefited all has been brought to my notice several times in conversation with some of our own federation farmers when they have told me of farmers outside of the federation who have always advised them to be sure to stick and to keep up the work of the federation, so even those on the outside can see the benefits and indirectly share in them, but unfortunately, as is often the case, they are perfectly willing to enjoy these benefits and 'let George do it.'

In 1914, despite all opposition, we went along and met legitimate competition and paid our patrons in most cases as good price as factories outside of the federation, and at the end of the season we had a profit of about $5,000 to be divided, but our members wisely voted this as a nucleus for a reserve fund. This year things have run along more smoothly, and we have enjoyed a good and growing business, and I can safely say that we have in most cases paid more than our competitors. In addition to this, I am positive that we shall have 2, if not 3 times, as great a surplus to divide as we did last year.

I might say we confine the selling of our output entirely to the regular jobbing trade, namely, wholesale grocers, jobbers, and commission merchants.

We charge one-fourth cents per pound for handling cheese, which includes all necessary warehouse and office expense, freight, drayage, taxes, insurance, telegrams, postage, stationery, and all other expenses connected with the business. Last year this one-fourth cents barely covered all of our expenses, as our expense of organization was quite heavy before we were in a position to handle cheese at all. Therefore we had considerable expense before we had any earning capacity. This year I believe I am safe in saying that one-fourth cent per pound will cover all necessary expenses.

Now, in regard to standardization and packs of Wisconsin cheese, shall say that our cheese are all put up and packed in the regular Wisconsin sizes and packages that have been used in the cheese business for a number of years. The cheese are all of one variety, namely, cheddar, or so-called American cheese. The only difference in the following named cheese is in the style or shape, on which the prices vary considerably owing to supply and demand. The following are the different styles as handled by us:

Twins (2 in a box) about 65 pounds average.
Singles(1 in a box) about 33 pounds average.
Daisies (1 in a box) about 21 pounds average.
Twin Daisies (2 in a box) about 43 pounds average.
Longhorns (4 in a box) about 50 pounds average.
Twin Longhorns (2 in a box) about 25 pounds average.
Single Longhorns (1 in a box) about 12½ pounds average.
Young Americas (4 in a box) about 44 pounds average.
Square Prints (2 in a box) about 20 pounds average.

Standardization Big Need in Cheese Industry

Standardization—this is the big problem before the cheese interests today. There are millions of pounds of good cheese made in Wisconsin annually, yet sad to relate there are also a great many pounds of poor cheese made, and there will be until we have a considerably closer system of grading for quality.

We grade all cheese on their arrival at our warehouse, putting out only the best under our brand, and selling the undergrades at a lower price and for what they really are. Whenever one of our factory men has undergrade cheese we write him, giving him the date on which they were made, calling his attention to the defect, and suggesting a remedy whenever it is possible to do so. I believe by doing this we have materially improved the quality of our cheese this year over last. In fact, our loss on quality this year has been much less than it was up to this time last year.

While it is true that this season has been much more favorable for making good cheese than last, owing to the abundant rains and cool nights of this season, yet I believe that the plan of advising cheese-makers of their shortcomings and recommending changes has been of material benefit. Also, I can see that our cheese makers this year have been more open to suggestion. A friendlier feeling exists and there are more signs of a willingness to coöperate.

In grading cheese we try if possible by seeing them to find where the fault lies. If the cheese maker is to blame the loss is paid by him If the farmers are to blame they stand the loss, and rightfully so. The cheese makers are not always to blame for all of the poor cheese. I believe that of 65 per cent of the poor cheese made the fault can be laid at the door of the farmer who is careless and does not take proper care of the milk before delivering to the factory. There are very few cheese makers who can make good cheese from poor raw material to begin with.

I hope to see the standard of our cheese raised and I believe we are getting along towards the goal, slowly perhaps but surely, and we shall progress faster than we have when we become better established and stronger—when we can offer to pay the factory men making fancy cheese a premium over the man who just insists on making a passable cheese. This premium should be in the form of a bonus or prize to the cheese maker for his ability and extra labor in producing nothing but the best. Under existing conditions there are cheese makers who can make a better cheese than they do, but are satisfied to go along making a cheese just good enough to pass the buyer because they are all paid the market price for passable, or so-called marketable, cheese and docked for undergrades, so they are only interested in not having undergrades and not interested in having fancy cheese.

We have a standard of perfection in cheese as in all other things. Some of our cheese makers reach this standard and on the average stay mighty close to it all season, but there are a great many who do not even get close. When we become financially and coöperatively strong enough to pay extra for extra quality, I hope and believe every one of our factory men will reach this standard. If he does not I am afraid he will have to make room for a better man.

HOW TO STANDARDIZE THE QUALITY OF BUTTER*

C. E. Lee

College of Agriculture, University of Wisconsin

Good butter is always in demand by both the commission trade and the consumer. It can be made in any dairy section providing everything possible is done to deliver to the creameries good clean flavored milk and cream, and every possible precaution is taken to manufacture an article that is perfect in workmanship and neatly packed when presented to the consumer. Market quotations represent the price that is being paid for butter of highest quality. The buttermaker, the one person that stands between the producer and the buyer, prefers to make nothing but a fancy article.

The average factory operator has been trained to make butter that is perfect in workmanship, namely the body, color and salt of the butter is faultless. Therefore, whenever the butter presented upon the market is lacking, tainted in flavor, and aroma, the blame in a large measure can be placed upon the community where the milk and the cream were produced.

The men that have made a close study of the quality of the butter handled by the commission men or furnished directly to the consumer by the manufacturer realize that there must be a united effort for an improvement in quality.

The result of the study of Wisconsin butter as made during the past 6 years and entered at the exhibitions conducted by the department of dairy husbandry, college of agriculture, University of Wisconsin, strongly emphasizes the relation of the quality of the raw material to the flavor found in the finished product.

In 1910 some 9 per cent of the butter exhibited was made in factories that received nothing but whole milk delivered daily in summer and from 3 to 4 times per week in winter, with an average score of 93.68 on their butter; for the following year 12.7 per cent of butter, with an average score of 94.03 and for 1912 13 per cent of the butter was made from whole milk with an average score of 94.35. For the same period the per cent of butter that was made from cream that was skimmed on the farm and deliverey to the factories by the producer or haulers increased from 45.5 per cent in 1910 to 59.3 per cent in 1912. The average score placed on the 571 monthly exhibits in 1912, made from cream skimmed on the farm was 92.23. This is over 2 points lower than the score placed on the whole milk butter for the same period.

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*Delivered before the second National Conference on Marketing and Farm Credits at Chicago, in April, 1914, in joint program with the Western Economic Society.

Not a single month for that year was the average score placed on butter made from cream skimmed on the farm above 92.4, while the average score placed on the whole milk butter exceeded the 94 mark for every months but one.

Character of the Creamery Industry Has Changed

During the past 10 years there has been a marked change in the character of the creamery industry. The closing of the skimming stations and the discontinuing of making butter in creameries receiving whole milk has been brought about because the farmer preferred to skim the milk. This was the natural result of progress and a compliance with the wish of the dairymen who advanced the following arguments.

1. The skimming of the milk on the farm would result in a higher grade of skim milk for feeding purposes.
2. A reduction of the danger of the introduction of cantagious diseases into the herd.
3. Time saved in hauling milk to the factory.
4. Less produce to be cared for at the farm.
5. A less restricted market.

When the creamery industry accepted the above arguments little did they expect that it would lower the quality of the butter. The system of making butter from cream skimmed on the farm has passed the experimental stage and it is definitely known that high grade butter cannot be made from the butter fat in tainted cream.

Cream Producers Will Coöperate

The average dairy farmer when once told that his product must be improved will adopt better methods. The few that do not heed such advice and whose product is still being accepted by the creamery company means a loss to all producers, because it is impossible to cover up the defects found in one can of cream by mixing it with 9 cans of clean flavored product. The reason that one farmer does not produce cream that is equal to that sold by his neighbors is because he does not follow the simple rules of cleanliness.

The farmers may be interested primarily in producing butter fat at a low cost, but this is no excuse for neglecting to give due consideration to the factors that will bear a relation to the future of the industry. Competition, foreign or otherwise, can be successfully met by making butter of highest quality.

The cream producers can say whether or not the butter made from cream skimmed on the farm shall have the quality found in butter made in factories that received whole milk only.

Their success in doing this is measured by the extent to which the following rules are observed:

1. The dairy barns are whitewashed twice a year.
2. The barn is always clean and well ventilated.
3. An abundance of bedding is used in the cowstalls.
4. The cows are not fed on foodstuffs that are liable to taint the milk.
5. The separator is operated in a clean well kept milk house.
6. The cream is cooled as soon as possible after it is produced to a temperature very closed to 50 degrees.
7. The separator and all dairy utensils are cleaned and thoroughly rinsed with boiling water after each milking.
8. All of the cream produced is delivered to the factory at least 4 times per week in summer and 3 times during the cold weather.

Coöperation Has Improved the Quality of Butter

In several localities in Wisconsin there has been a marked improvement in the quality of the butter. In a very large measure this has been accomplished by a united effort on the part of the farmers to produce milk and cream free from objectionable taints. This improvement has not taken place in isolated plants, but in groups of factories handling all of the cream produced in certain localities. This can be illustrated by a community in Northern Wisconsin where 3 coöperative creameries handle all the butter fat produced within a reasonable distance. The operator of one of these plants entered butter at Madison when the exhibition work was started in May, 1907. The average score on the first 15 exhibits being 91.2, the mighest 93 and the lowest score 88.8. This buttermaker resigned to make place for another man, and took charge of the neighboring factory. He continued as an exhibitor at Madison, receiving a score of 92.9 on his first 12 exhibits and 93.5 on the following 12 that represented his second year's work at this factory, and the same average score on the next 10 lots of butter. Since each tub represented 1 month's work the buter from this factory for 18 out of the last 22 consecutive months was sufficiently high in quality to meet the highest market requirement. The man who took charge of the factory first referred to received a score of less than 93 on 11 out of his first 17 tubs of butter with an average score of 93.9 for the 12 tubs entered from May, 1912, to April, 1913, besides making the tub of butter that was given 1 of the 5 state prizes awarded at the annual convention last February. The man in charge of the third factory has made butter that for 24 consecutive months has received an average score of 94.6. The highest score being 97 and the lowest 93.16 on the first tub entered.

The butter made by these 3 men is a credit to the dairy industry of that locality where formerly a second grade butter was made.

Others have made rapid progress by educating the farmers in better methods. An increase in quality from 92.66 to 95.83 on butter representing 11 different months is the record of one factory. The average score being 92.69 on the first 6 exhibits and 94.51 on the last 5. Another factory in 6 months increased the quality from 90.83 to 95.33.

The butter from 1 factory at the outset scored 93.66 and on the last 7 out of the 18 months the score varied between 95.16 and 96.25. The following illustration represents 1 factory's output for 4 years:

The average score on 12 exhibits made May, 1909, to April, 1910, was 93.97; for 1910 to 1911, 94.42; for 1911 to 1912, 94.66; and for 12 months, May, 1912, to April, 1913, an average score of 95.12.

It is further known that the highest grade of butter now being produced regardless of the kind of raw material that is received comes from territories where the following factors being observed.

1. Every milk and cream producer is interested in the welfare of the local factory.

2. The income from the dairy receives first consideration, in

other words dairying is not a side issue in farm operations.

3. A large number of the farmers have a suitable place for cooling and storing the cream.

4. The average per cent of fat in the cream delivered ranges between 30 and 40 per cent.

5. All of the cream produced on the various farms is delivered at stated, regular and frequent intervals.

6. If the cream is collected by haulers the routes are not long and a sufficiently number of trips are made each week to insure cream of good quality.

7. Cream routes are not established in the territory that rightfully belongs to the neighboring creamery.

8. Quality rather than quantity of butter receives first consideration.

9. Perfect coöperation between the factory owner or manager and the butter maker with reference to the importance of receiving nothing but good cream.

10. It is imposible to make good butter from tainted raw material.

Where Improvements Must Be Made

In nearly every community a remarkable improvement can be brought about by a united effort in producing cream containing between 30 and 40 per cent butter fat. This will result in a higher grade of butter being produced and a greater return from the dairy. Among the advantages are:

The richer cream has a greater keeping quality; more skim milk is left at the farm for feeding purposes; there is less to transport; the cost of factory operations is decreased, and permits of pasteurization and the liberal use of a starter so essential in modern butter-making.

The patrons of one coöperative factory in Wisconsin for the year 1913 lost approximately $4,600 by producing cream testing nearly 23 per cent instead of 30 per cent. Because the richer cream was not skimmed, nearly 800,000 pounds of skim milk was hauled away from the farm. Its feeding value could safely be estimated at 25 cents per 100 pounds. The cost of hauling the cream from the farm to the factory was 36 cents per hundred besides an increased loss of butter fat; and increased cost of factory operations. The loss in the quality of the butter could not be determined, but it is safe to assume that no small sum was lost.

At the close of a recent meeting of the patrons of a coöperative factory where this subject was thoroughly discussed, several of the dairymen present agreed to skim cream to the desired richness and to do everything within their power to improve the quality of the cream.

Farmers that are interested in coöperative creameries can do a great deal of good in improving the present system of collecting the cream. At present the best grade of cream in a large measure is being produced by the farmers that deliver their own product to the factory because they have a better opportunity of getting in personal contact with the butter-maker.

The next best system is where several farmers agreed to in turn deliver the product from all the farms.

The cream hauling system as is now practised in several localities is not conducive to the quality of the butter. The cream routes should not extend beyond the local territory nor should they be of such length that the first lot of cream collected at 7 a. m. is not delivered until late in the afternoon.

All of the cream should be at the factory by noon in order that the butter maker may have a fair chance to handle the cream properly.

Butter For Storage Must Be Improved

There must be a united effort to improve the quality of the butter produced not only during the winter months, but during the summer months as well. In Wisconsin, fully one-fourth of the annual output of butter is made during the months of May and June and nearly one-half for the 4 months, May to September 1st. Therefore the surplus of these months must be placed in storage until the season of shortage. Unless the butter placed in storage is of high quality it is impossible to expect that storage butter offered for sale during the winter months will be able to hold its own in competition with imported butters made in counries where the seasons are the reverse.

The farmers can and will come to the rescue of the quality of the butter in order that dairying will continue to be a profitable industry.

ACCEPTABLE STANDARDS IN GRAIN

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It affords me pleasure to discuss with you this afternoon the question of acceptable standards in grain. The grain business, in all of its phases, has assumed such immense proportions, that the demand for standard grades, that can be uniformly applied, has become almost universal. Acceptable standards must embody some definite description of the more important factors taken into consideration in the grading of grain.

These standards must be such that the producers, the dealers, the consumers and all interested parties may know ''the length of the yard stick'' by which the grade of the grain in which they are interested is to be measured. It is also essential that this measure be uniform and definite; the same in Chicago, New York, St. Louis and New Orleans; that it be applied on poor crops as well as on good; that it be used in the same way from July 1 to June 30; and that it cover the export as well as the domestic trade. With grades a fluctuating proposition, varying in different markets, and even in the same market at different seasons and under different conditions, the producer has no means of knowing when he is receiving the grade or the price to which he is entitled. Neither is the country elevator operator, who should have a thorough knowledge of the commercial grades, in a position to buy grain on its merits. Under a fluctuating system of grading, he is obliged to buy on the basis of average quality, leaving ample margin to fully protect himself against variability in grading at different points, and this margin must eventually come mainly from the producer, and especially from the producer of grain of high quality.

Strong efforts are now being put forth in the movement for the production of more grain of better quality. If a farmer is to grow grain of high grade it is essential that he know the grade requirements, which he cannot do unless they are something definite and staple. Under a uniform system of grading, with the grades clearly defined, there is every reason to believe that that farmers will meet the requirements; but not until the good grain commands the premium to which it is entitled.

Basis for Standard Grades

In fixing the standard grades for corn, which have been in effect since July 1, 1914, it was the aim to provide definite limits for the more important factors which determine the quality and condition of any given lot of corn. The limits for color, moisture content, damaged kernels, foreign material, and cracked corn were definitely fixed in so far as it was possible to do so.

In the fixing of grades for wheat, oats and the other grains, it is probable that the same general plan will be followed, with such modifications as the particular kind of grain may require.

Moisture Content

So much has been said at one time or another concerning the moisture content in grain that it would hardly seem necessary to discuss this factor to any extent. However, no discussion of standard grades would be complete if no mention were made of this. Perhaps the most important factor, is that, upon the degree of dryness, more than anything else, depends the keeping quality of grain in storage or during transit. This fact has been so strongly emphasized during the present season with a considerable percentage of our winter wheat and more than half of our oats badly damaged as a result of excessive moisture, that all must agree that no standard grades would be acceptable without a definite requirement as to moisture content. The terms dry, reasonably dry, damp, wet, etc., are inadequate. They leave too much room for a shifting of grade values. Grain that is dry to the seller is often damp or wet to the buyer. Perhaps never in our history has this been more strongly emphasized than with our present crop of wheat, and especially much of that which has been going for export. I shall not discuss the export situation in detail, but the matter is of such vast importance to our trade relations with foreign countries that duty demands that I present here a few facts with reference to some of our wheat that has been exported under a certificate of No. 2. It will be sufficient to call your attention to our analyses of samples from one lot or more than 70,000 bushels certificated as No. 2 hard winter. This lot of wheat showed a moisture content ranging from 13.7 per cent to 16.5 per cent with an average of 15.1 per cent, under a published rule which provides that No. 2 hard winter wheat shall be dry. It is not surprising that complaints are coming in from grain exchanges and American consuls in European countries to the effect that wheat from the United States is arriving in a heated, musty, and damaged condition. Neither is it surprising that a considerable portion of the great surplus of Canada's most excellent crop has been commandeered for use in Europe during a period when they have no time to barter in grain that arrives in bad condition. Wheat with 15.1 per cent moisture is in no sense dry, and it is practically as certain to go out of condition before it can be discharged at a European port as anything can be. Neither is such wheat entitled to a grade of No. 2, although it might possibly be squeezed into a No. 4. With a definite limit of moisture for the different grades such elasticity would be impossible.

What the limits should be in standard grades I am not able to express, but based on the data now available, a maximum of 13 per cent is probably not far from correct for No. 2 winter wheat. Most of the corn grades cover a range in moisture content of 2 per cent, but with the small grains the range must be more restricted. Oats under normal conditions will carry less moisture than wheat. At present indications it does not appear that oats with a moisture content in excess of 12 per cent or at most 12.5 per cent should be permitted in a grade above No. 3 under the present classification, and that oats having a moisture content in excess of 14 per cent should rightfully be classified as sample.

Foreign Material

With respect to the amount of foreign material such as weed seeds, chaff, dirt, etc., standard grades should be more definite than under exisiting conditions. By way of illustration, take the grades for wheat. Aside from the "dockage" system applied in a few markets to the grading of spring wheat, most grade rules provide that the wheat shall be clean or reasonably clean. What these last two terms mean I have never been able to accurately determine. I have my own ideas as to what should be classed as clean wheat, but it would seem that they do not correspond to the ideas of others, if inspection certificates serve in any measure as a basis for comparison. Investigations have shown that grades of wheat, under rules specifying it "must be clean" show on actual analyses, weed seeds, chaff, dirt, etc. varying from a mere trace to 3 or 4 per cent. The terms "clean" or even "reasonably clean" must surely mean something more definite than that. Webster defines clean as being "free from dirt, filth, impurity, foreign or undesirable matter." In rules for grades clean must necessarily mean something different, for no commercial grain is absolutely free from foreign matter, and no reasonable person would so contend. In many markets there is an unwritten rule that wheat with less than one-half per cent of foreign material shall be considered as clean. If this is a fair and reasonable interpretation, then it should be written into the rule so that all might know; it is just as important to the man who is growing it, the country elevator man who is shipping it, or the man who is buying it, as it is to the inspector who does the grading. Equally indefinite is the phrase "not clean enough for No. 2." Rules governing foreign material in standard grades to be acceptable must be more clearly defined. They should either clearly indicate in terms of per cent the quantity of such material permissible in any given grade, or they should be based on a "dockage" system, such as is now applied to spring wheat in some of the large markets. As I have publicly stated on previous occasions, the more I study the dockage system the better I like it. It affords an opportunity for more uniform grading in that it is not always easy to judge as to the quality of a given lot of grain carrying a considerable quantity of foreign material. Moreover, the producer or country shipper can determine such dockage in advance of sale or shipment if he cares to do so, and can likewise remove such dockage if he finds it profitable to install the necessary cleaning machinery for that purpose. Ordinarily, cleaning can be done more economically at the elevator than on the farm. In some sections, especially in parts of Indiana and Michigan, a very commendable practice prevails in the cleaning of wheat as delivered at the mill or country elevator,—the screenings being returned to the farmer.

Inseparable Impurities

A strictly dockage system, however, is not fully applicable in all cases. Such impurities as corn cockle, garlic, kinghead, etc., that cannot be satisfactorily removed from wheat by means of the cleaning machinery in common use, must, under any system of grading, be given special consideration in that they seriously affect the milling value of the wheat even when present in small quantities. In addition to the assessed dockage there should be a lowering of grade or a discount in price to compensate the miller for the extra expense in putting such wheat into suitable condition for milling. Moreover, the removal of such impurities by special cleaning machinery is accompanied by a heavy loss of wheat. This can be more clearly expressed by referring to the analyses of a few representative samples of corn cockle screenings secured at country mills. The average of four lots of screenings showed 12.1 per cent corn cockle, 11.1 per cent of other weed seeds and grains and 76.8 per cent of wheat. In a bulletin now on press,—Bulletin No. 328,—the effects of some of the more troublesome impurities on the milling value of wheat are fully described.

Mixtures of Varieties, Classes, and Kinds of Grain

Closely allied with the so-called inseparable impurities are the mixtures of different varieties, classes, and kinds of grain. Rye often grows with wheat, sometimes as a volunteer, but more frequently as a result of impure seed, and occasionally rye is deliberately mixed with wheat, usually hard winter, for illegitimate profits. Millers all agree that rye in wheat injures the color of the flour, however not all agree as to the quantity of rye that wheat will carry without showing such injury. Our investigations have shown that the presence of rye in as small quantities as 3 per cent injures both the color and the texture of the bread, and that as little as 1 per cent is noticeable on color. It would therefore appear from the data now available that the maximum percentage of rye permissible in grades of wheat should not exceed 1 per cent. A somewhat similar case is the mixture of Durum wheat with the other hard spring wheats. Within the past year, samples from three different cargoes of wheat, certificated as No. 1 Durum, contained an average of 16.4 per cent of other spring wheats, and 4 per cent of weed seeds and other foreign material. It does not necessarily follow that the spring wheat was deliberately added even though the difference in price at that time would have made such a substitution highly profitable. In fact, our investigations have shown that a considerable percentage of Durum wheat is mixed with bluestem, velvet chaff, etc. when it comes from the field. During the past harvest, head counts in 110 fields of Durum wheat showed that 13.2 per cent of the heads were of spring wheats other than Durum. Less than 8 per cent of the fields showed pure Durum and only 27 fields out of a total of 110 contained 95 per cent or better of Durum heads. But whatever these conditions, it requires a considerable stretch of the imagination to figure out on what grounds a grade of No. 1 Durum could be given to a lot of wheat which contained 16.4 per cent of other spring wheats, and 4 per cent of weed seeds and other foreign material under a rule reading "shall be * * * well cleaned and be composed of Durum * * * wheat." I am certain that under standards acceptable to the U. S. Department of Agriculture No. 1 Durum wheat will not be allowed to carry such percentages of other wheats and foreign material. I mention this more particularly at this time in the hopes of starting some movement for securing pure Durum wheat for seeding next spring. Should grades be established before the movement of another crop, it is evident that much of the wheat now sold as Durum would be classed as "mixed wheat."

Damaged Grain

Damaged grain offers perhaps the most serious difficulty in formulating acceptable standard grades. There are so many degrees and kinds of damage that an arbitrary line must be drawn as to what shall be classed as commercially sound and what shall be considered as damage. Many forms of damage however are partially covered by the weight per measured bushel. But even this factor must be determined with considerable care and according to certain prescribed methods if the results are to be at all reliable. It is easy to make a difference in weight of one or two pounds depending on how the test kettle is filled.

I shall not undertake to discuss grade requirements for frosted, sprouted, immature, blighted, rust damage, etc., for these are factors dependent largely on weather conditions over which the farmer has no control. I wish to emphasize, however, the stinking smut which may be present in wheat as smut balls, or as a mass of smut spores adhering to the brush of the kernel. In extreme cases the somewhat oily spores are present in such countless millions as to cover the entire kernel. This can be better understood when it is considered that a single smut ball is estimated to contain 3 million spores.

A few smut balls or spores impart a smutty odor to the wheat, and whenever this odor is distinct the wheat in my opinion should be classed as sample grade and discounted accordingly. It requires a special washing treatment to make smutty wheat suitable for milling, and many of the small mills do not have such facilities. There is another reason for taking somewhat drastic action against smutty wheat in that this stinking smut yields readily under proper seed treatment. There is every reason to believe that within 5, or at most 10 years, stinking smut could be practically eradicated from the United States, if one of the treatments that have been recommended for so many years by the federal department of agriculture and the various state agricultural colleges and experiment stations were universally applied with proper care.

When Will Standard Grades for the Small Grains be Fixed?

With the corn grades now being applied to the second crop you are naturally interested to know when the department contemplates the fixing of standards for the small grains. I regret that this is a question to which I cannot give you definite reply. As you are aware, our grain standardization investigations have not been limited wholly to the fixing of standards, although much of the work done has furnished data that will serve admirably as a sound basis for such standards. The investigations have covered the harvesting and storing of grain on the farm; the handling, storing, and grading of grain at country elevators and in the primary markets; the deterioration of grain during transit in cars and in transatlantic steamships; the milling value of different classes and grades of wheat; the quality and condition of Argentine corn imported into the U. S.—and various other problems covering every important phase of the handling, storing, grading and transportation of grain. Moreover, the mere fixing of grades and their adoption accomplishes but little in the absence of suitable authority to control their application. It is therefore only fair to state that personally I am strongly opposed to the fixing of standard grades for additional grains until after the enactment of such legislation that will provide authority to insure uniformity of application, because without such legislation uniformity is impossible.

As to what form such legislation should take, there is apparently an honest difference of opinion. Some prefer out-and-out federal inspection, while others believe that federal supervision will meet every requirement. Personally I stand committed to federal supervision, because I believe that it will afford every needed protection to the producers and consumers of grain, with the least possible disturbance of legitimate practices in the handling of our great crops of grain, and with a minimum expenditure of public money. Moreover, even with federal inspection, it would be necessary to have a system of supervision, for without supervision it would be impossible to maintain uniformity of application.

Proposed Federal Legislation

While it is not my function to discuss proposed legislation, it might not be out of place to summarize briefly the essential points of the grain grades bill, which, according to Congressman Ralph W. Moss, in a statement before the Grain Dealers' National Association at Peoria, will be reintroduced at the coming session of Congress. This bill provides the fixing of standard grades by the secretary of agriculture; the licensing of inspectors for the grading of grain entering interstate or foreign commerce, and the revocation of such license in case of failure to grade grain correctly in accordance with the rules and regulations laid down by the secretary; an appeal to the secretary of agriculture in case of dispute as to the grade of any given lot of grain; and a general supervision of the inspection and grading of grain, with authority to publish the results of his findings. Should legislation along these or other lines, providing for a uniform and definite system of grading, be enacted at the coming session of Congress, I see no reason why standard grades should not be established soon thereafter. Such grades might not be complete in every respect, but the investigations would be continued with the view of making modifications in the grades from time to time as the best interests of the country might require.

TROUBLES OF THE GRAIN INSPECTOR IN GRADING GRAIN UNDER PRESENT STANDARDS AND MARKETING METHODS

H. E. Emerson

Chief Grain Inspector, State of Minnesota

In Minnesota up to the year 1877 there was little, if any, local or terminal grading of grain. The grading practice was of an individual and arbitrary character, the different grain buyers grading according to their individual judgments. There was no uniform effort upon the part of any association representing line elevator companies, millers or buyers, looking toward the establishment of anything that might be called a set of grading rules, which would define the characteristics of the various grades of different grains.

Up to this time this system of marketing and grading grain worked fairly well, because it was largely a matter of agreement between the producer and the buyer, and the volume of business was extremely small and was confined very largely to wheat.

The raising of wheat 40 years ago was confined largely to the area tributary to the Mississippi river, and the primary wheat markets along this river at that time were among the most important in the world. Among them were Winona, Wabasha, Lake City, Red Wing and Hastings, all in the State of Minnesota. Both mills and elevators were located at all of these points. Good crops and good prices gave this territory advertising that resulted in increase of population and expansion of the wheat raising area.

The result was the development of the milling industry at Minneapolis, largely developed and still largely maintained by the use of the magnificent water power at St. Anthony Falls. The ultimate outcome of this method of marketing and buying of grain was the formation of a Millers' Association, the organization of the Minneapolis Chamber of Commerce, the establishment of grading rules by the Millers' Association, the ultimate reaching out into the country of better wagon roads, and the construction of steam railroads.

This developed the local warehouse on the different lines of railroad. These houses were owned and operated by the railroad companies, later by line elevator companies and today most of them are operated by independent, farmers', coöperative elevator companies and line elevator companies, while a few of them are operated by mills throughout the state.

Origin of Grain and Warehouse Law

The development of large terminal markets and the demand for an impartial grading and weighing system was responsible for the enactment of a Grain and Warehouse Law in our state which became effective June 1st, 1885. This placed the regulation of the grain business and the duty of establishing grades for grain, and required supervision over the weighing of grain at the terminals with and by the Railroad and Warehouse Commission.

The Legislature of 1885, which passed the original act referred to, appropriated the sum of $1,000 from the revenue funds of the state for the use of the state grain inspection and weighing departments, and gave to the railroad and warehouse commission authority to establish fees for the inspection and weighing of grain. This original appropriation is the only sum ever paid into the state treasury for the use of that service from moneys derived by direct taxation. The department has been maintained continually for 30 years from the fees produced by the service itself.

The railroad and warehouse commission established the Minnesota grade rules and the rules for the operation of the inspection and weighing departments. These rules have not been materially changed, except to add to them to provide rules to govern in the grading of the different new varieties of grains that have been produced as the result of experiments conducted by the federal and the state agricultural departments and colleges. The essentials, so far as grading of wheat is concerned, remain the same now as then, but it is interesting to note that by the development of the country, attended with the clearing away of its forests and the breaking of its prairies, that while for the crop year ending August 31st, 1886, 38 per cent of the spring wheat inspected "on arrival" graded No. 1 Hard and 35 per cent graded 1 Northern, compared with the crop year ending August 31st, 1915, only .8 per cent of the spring wheat graded 1 Hard and 22.6 per cent graded 1 Northern.

Under our state law the local grain warehouseman must purchase his grain in conformity with the Minnesota grade rules, which have been legally established for the guidance of the state grain inspection department in determining its official grades at the terminal markets. These grade rules, formerly established by the Minnesota Railroad and Warehouse Commission each year, have since 1899 been established by an independent tribunal, known as the Minnesota Joint Boards of Grain Appeals, consisting of 6 members, all appointed by the governor.

The grades are required by law to be established annually at a joint session of the 2 grain appeal boards of 3 members each and cannot be changed during the crop year, except by and with the consent of 5 of the 6 members attending a meeting which has been called and advertised for that purpose.

Grain Inspection Works Under Civil Service

Since January 1901 our railroad and warehouse commission has placed its grain department on a practical civil service basis, although we have in our state, no civil service law which has required such an action. Appointments to grain inspectorships are made by the chief grain inspector, with the consent of the railroad and warehouse commission, from the class of employes already in the service in minor positions and then only after competitive examinations which actually test the practical knowledge of the applicant in the actual grading of grain. Many of the inspectors on our force have been in the service for more than 20 years.

The position of the chief grain inspector is in no sense political. His appointment is made by 3 members of the railroad and warehouse commission, who are elected by the people. It is true that he may be removed at will, but his selection by the board is upon the basis of competency as an administrative officer and as an expert in the grading of grain.

The Minnesota State Grain Inspection Department is, therefore, not a political department and cannot be made a political football by changing administrations.

With this brief historical summary to establish in your minds the process of evolution of state grading in Minnesota, permit me to suggest that if the local warehouseman purchases grain on the basis of terminal grades, the grades in our state ought to be uniform at all points, or reasonably so, as near as human judgment might determine. It likewise ought to be said that No. 1 Northern wheat so graded in Duluth, ought to be accepted at points down the lake and elsewhere as No. 1 Northern. As an illustration—a cargo going out from Duluth under a grade of No. 1 Northern should be and as a matter of fact is, deliverable in Chicago on that same grade, likewise at Buffalo or at New York.

Minnesota grades have the distinction of being acceptable in Europe, and it has only been when grain delivered upon our state grain inspection certificates has been mixed with other grain in transit, that objection is raised by our export friends. It should be remembered, of course, that the authority of our grade rules reaches only to the confines of the state and we cannot regulate the grades beyond our own borders.

Running Down the False Grades

I presume as long as grain is to be handled in commerce and graded, that some shippers will attempt deception in the loading of their cars. We have found, as all other departments have, a certain percentage of cars received at our terminals that have been plugged, some apparently with an intent to deceive inspectors, and others accidentally so loaded. We have found cases of deliberate and wilful intention of setting up cars where the plug indicated the use of a bag or a barrel to receive the inferior grain, the receptacle being removed after the loading has been completed. This kind of a set-up would leave a pocket of inferior grain surrounded by the main body of grain.

We have, in cases of the discovery of such plugs, graded the entire car upon the basis of the grade given to the poorest found in the car. This practice has been changed so as to require such cars, when found, to be graded No. Grade CC, sent to an elevator to be cleaned or handled, and if sustained on reinspection and appeal, the department assesses an arbitrary fee of $5 per case.

The physical condition of grain that is marketed and comes to our terminals for state inspection, presents about the only troubles of a state inspector in grading grain under present state standards. He is not concerned with the producer or the purchaser. He attempts, in our state, to stand as an unbiased arbiter between the parties interested in the complex game of producing, marketing and consumption of grain. As a matter of fact, we are not confronted with any real serious troubles in the placing of our grades on grain.

The various classifications of the Minnesota grade rules, which largely follow the standard grades that are fairly uniform in most of the grain producing states, made so through the efforts of the National Grain Dealers' Association and the Association of Chief Grain Inspectors, require that grades be provided for a large number of varieties of so-called spring wheats, different varieties of oats and barley, flaxseed and corn. In our markets, our grain inspectors must have a knowledge of the characteristices of Scotch Fife, Bluestem, Marquis, Minnesota 169, Minnesota 188, Durum, Preston, Humpback, Climax, Velvet Chaff, and other so-called varieties of spring wheat.

Where Inspector's Duties End

If the inspector exercises his judgment in the placing of his grades on these different varieties, he has done all that can be reasonably expected of him in the grading of wheat for commercial use; and while the judgment of men may vary, as long as grain is to be graded in commerce in this way, if mistakes occur a recourse should be had, and in our state is had, by a reviewing body for a reinspection. Again, should the parties interested in a particular sample, car or cargo be still dissatisfied, in our state they have a final court of review called the board of grain appeals. To this board must be submitted all cases of disputes and the decisions rendered in such cases by the board of grain appeals are final and conclusive upon all parties.

Grain inspectors are never so well pleased as when the quality of the crop is good. They are but human and naturally desire to give satisfaction and to receive approval for their official acts, rather than not to give satisfaction and have their acts disapproved. Criticism is the same the world over whether it be directed against a public official as to his acts in grading grain, or against professional men in other lines of work.

Under our Minnesota grade rules today we find this to be true. A sample may be submitted to an inspector who is a good judge of grain,—his verdict may be that the sample submitted will grade No. 1 Northern. He may figure that it is a very poor No. 1 Northern, or as we say, the very lower edge of No. 1 Northern. That sample may in turn be submitted to another grain inspector, equally as good a judge of grain as the first, and his decision may be that the sample will grade 2 Northern. He might say to you that it was an extremely good 2 Northern, and that there was a question in his mind as to whether or not it should be graded 1 Northern. In other words, it is the very upper edge of the 2 Northern grade.

It is not sufficient, in my opinion, for grades to be made, that a state department, a federal department, or an association grading grain at a large terminal market, might be able to follow in the application of those rules. If the grades so established are too numerous for the individual classification and if the refinement is carried to the extent that the grades are not practical in the country, it would mean that the producer who parts with approximately 95 per cent of his crop to the local warehouseman is going to be the loser. When he has made a delivery to the local warehouseman in the country, he usually has sold his grain outright.

Grain inspectors, if they are competent judges of grain, can follow any set of grade rules,—primarily because they are trained judges of grain; secondarily because they have every grading facility and tool and appliance of the profession at hand to assist them in the application of the rule. It necessarily follows that the buyer of grain at the local warehouse, handicapped as he is by the lack of tools and appliances, handicapped further by the fact that he is rushed usually from daylight until long after dark in taking in his grain, cannot grade either as closely or as successfully as a terminal grain inspector.

Minnesota Establishes a Laboratory

In 1909 the Minnesota legislature permitted this department to assist in the equipment of a grain testing and a milling laboratory at the state college of agriculture, which is connected with our state university. This laboratory was made available to the state grain inspection department, the board of grain appeals and the railroad and warehouse commission and was used in milling and baking tests, and in chemical analysis of various samples of the different grains. Since that time the railroad and warehouse commission has provided a most fully equipped grain testing laboratory and milling department, which is used by both the inspection departments and the appeal boards. Milling and baking tests of grain are carried on by our state chemist daily and the work is carried on in conjunction with and as assistance to our grain inspectors.

There is one feature of the marketing of grain that has not been touched upon very extensively, and that is the threshing operation. In my opinion, it would be far better for the thresher to place sieves in his separator in place of blanks and to deliver to the producer his clean grain separate from the various foul seeds, so as to make a complete separation of grains in separate lots, to be sacked and delivered to the man for whom he was threshing.

Handling Dockage Questions

In the ordinary marketing of grain today in our country the farmer who raises grain with a pound or two dockage of the ordinary kind, which might consist of wild buckwheat, pigeon grass, fine weed seeds or other foreign seeds and substances, is not only paying freight on that dockage, but he is giving the dockage away in addition. If this were collected for him at the time his grain was threshed and delivered to him separately, it would give him something of a commercial value for the feeding of his stock and he would be ahead by marketing clean grain and would save the freight on the dockage. On the other hand, it is true that oftentimes dockage may be heavy on a particular carload of grain and that the dockage may consist of mustard seed, flaxseed or other seed that is valuable when it is present in an amount that would cover the cost of cleaning and leave a profit. In such cases the dockage is an asset and not a liability, because purchasers are many times found for such cars who will pay a premium therefor over the regular straight price for a given car of the same grade without such an excessive dockage.

Whether a market grades down for the presence of foul seeds and admixtures of other grain, foreign to the main body, or whether a market docks for such substances, is not material. The result to the producer is the same. He generally is the loser by permitting the shipment of his grain in a dirty condition.

Marketing methods in vogue in our state do not materially vary with the location. A large proportion of grain is threshed from the shock and is marketed just as soon after it is threshed as possible. In many cases the grain is hauled direct from the threshing machine to the local warehouse. It is nearly all sacked at the machine and taken to market in sacks. In some of the states grain is hauled in bulk in large wagons direct from the machine to the local warehouse where it is usually purchased by the local warehouseman, rather than being stored by the owner.

If the local market at which this grain is presented for sale is a competitive point and competition is unusually keen, we have found it true that grain buyers will frequently disregard our terminal grade rules and will over grade or under dock in order not to lose a customer's business. Many times we have found a local warehouseman buying grain on the basis of No. 1 Northern when he knew full well that the grain could not possibly grade more than 2 Northern at the terminal, but this is a condition which is not general.

The producer, after he has cleared his farm and has continued to raise wheat on the same land without the proper fertilization or rotation of crops, finds himself with wheat that is inferior, when it is compared with the first crops that he has taken, yet he may figure, and we often times find that he does believe, that the local buyer should give him a grade higher than that to which he actually is entitled. He does not comprehend that the deterioration of his grain, results from his practice of farming, and the falling off in the percentages of the higher grades, to which I have made reference, indicates changes in soil conditions, a weakening of the land and the using of poorer seed. This invariably results in the deterioration of the grain raised, yet at the same time the producer has not seemingly, until very recently, recognized the fact that this is curable only by persistent rotation of crops and persistent fertilization.

To conclude, the regulatory methods of grain inspection, to be beneficial to the producer, must be of a character that will permit the ordinary average country grain buyer to apply the rules prescribed and must be made with the idea of the protection of the producer, rather than for the benefit of elevator or milling companies.

WAREHOUSING AND STANDARDIZATION OF FARM PRODUCTS

STATE WAREHOUSING AND THE COTTON BALE IN THE SOUTH

Clarence Ousley

Director of Extension, A. & M. College of Texas

Cotton does not differ from other staple crops and commodities in respect to the advantages of proper warehousing and intelligent marketing, but it presents the most interesting problem in the economics of American agriculture because cotton is our most valuable article of export, because it ranks among the world's chief necessities, because we produce two-thirds to three-fourths of the world's supply, and yet American cotton suffers more preventable waste and submits to more downright graft than any article of commerce. The chief dependence of the South and the nation's principal item in settling balances of trade, it should be the object of our greatest concern, but we handle it as if it were of little value, as if it were indestructible, and as if it were the common possession of all who may chance to touch it.

By our methods of baling, compressing, marketing and transporting, the cotton crop of the South is subjected to a preventable waste of $10 to $20 a bale. On the normal annual production of approximately 15,000,000 bales, this amounts to a loss of $150,000,000 to $300,000,000 a year.

In the first place the average ''country damage'' due to exposure in uncovered cotton yards, on compress platforms, at railroad stations, and in the farmer's backyard, amounts to $2 a bale. Of course, not every bale suffers country damage but the $2 is the average computed by the United States Department of Commerce after careful investigation. The indiscriminate slashing of the bale for the purpose of sampling imposes a total cost of 100,000 bales a year, as computed by the department of commerce, known as the ''city'' crop, being the pluckings of the buyers and the stealings of a host of persons who hang about the yards and shipping points. Many buyers contend that but for the gain of the city crop they would be compelled to charge higher commissions or fees for services, and therefore that the city crop is not a loss to the producer. The answer to this is first that twice as much cotton is taken from the bale as is needed for a legitimate sample, and second that the miscellaneous samples so collected grade lower than the original cotton would grade. It is at least fair to say that the system of sampling therefore involves a very decided loss. The sampling of the bale requires also patching at the compress, and the ragged condition of the bale, as a consequence of the sampling and the patching, requires a higher rate of insurance. Another important item of loss is the difference between the actual tare of the bale and the tare deducted by the buyers. The weight of bagging and ties does not exceed 20 pounds, but the commercial deduction for tare is 6 per cent or 30 pounds on the standard bale of 500 pounds. This means 10 pounds of cotton from every bale. Again, as with the samples, the buyers contend that the profit in tare enables them to handle the business at a smaller charge than they would be compelled to make if the tare were precise. As to this, I hold that the best way to do business is to do it frankly and in precise dealing. These indirect gains from ''trimmings'' are a constant invitation to dishonesty. Another loss to the farmers is the inaccuracy, not to say dishonesty, in grading. Not one farmer in a hundred is able to ''class'' cotton. It is sold upon the classification fixed by the buyer. The competition among buyers is presumed to develop fair grading, but the presumption is shockingly disputed by expert investigations by the bureau of markets in the states of Arkansas, Oklahoma, and Texas, which reveal differences on the same day and in the same market as on the same day in different markets within each state of from 60 cents to $2 a bale on the higher grade and from $5 to $30 on the lower grades. The only allowable difference for the same grade of cotton in 2 primary markets on the same day is the difference in freight to the port. It will be readily understood that under exceptional conditions a merchant buyer may give a premium on a certain lot of cotton in order to collect a debt, but the variations disclosed by the bureau of markets are so numerous and so wide and so extended in area as to demonstrate clearly that in most part they are due to deceit, which is easily practiced when our farmers have not the information necessary to classify their product.

Forcing Sales Cause of Loss

Another great cause of loss is the habit of forcing the entire crop upon the market within 3 or 4 months, or from September to January, though 12 months are required for its consumption by the spinners. A record of cotton prices from the season of 1901–1902 to the season of 1914–1915 inclusive, compiled by Mr. Theodore Price of New York, shows that every spring during that period cotton sold at from 40 to 600 points, or from \$2 to \$30 a bale higher than in the preceding fall. Mr. Price describes this annual price phenomenon as the "Autumnal Dip" and attributes it, as I have intimated, to forcing the crop upon the market within 3 or 4 months.

Another Cause of the "Autumnal Dip"

There is another very important factor in the "Autumnal Dip." It is the lack of adequate information concerning the rate of consumption by cotton mills in foreign countries. We publish in June of every year the cotton acreage in the United States; we publish the condition of the plant from month to month, and beginning in October we publish the output of the gins every month. These publications are made by the government; they are as accurate as human intelligence can approximate, and they are accepted by the trade as reliable. They are marked always by fluctuations in the price on the market accordingly as they are above or below the expectation of cotton traders. By this means the government exhibits constantly, from the time the cotton is planted until it is put upon the market, all that may possibly be known concerning supply. And this is a service that should be performed for the benefit of commerce. In fact before this information was published, the spinners and traders made their guesses as to the acreage, the condition of the plant, and the output, and consciously or unconsciously they guessed to their own advantage. The government service, therefore, has been valuable not only to honest traders but to producers in protecting them from misrepresentations or the bad guessing of spinners and speculators. But, what is the other side of the question? What do we know about demand? Practically nothing. I agree that we cannot sell cotton except under the law of supply and demand, but I contend that we cannot fairly determine economic value without knowing demand as well as supply. Supply and demand constitute an economic equation, and any student of the high school will tell you that it will disturb an equation as much to subtract from one side as to add to the other. If a new fact, exhibiting an increase of supply, should depress the price of cotton, then a new fact exhibiting an increase of demand should advance the price, and we cannot know the true price at a given time without knowing demand at that time as fully as we know supply at that time.

More Information on Consumption Needed

Now the government publishes an annual report of world consumption, but it is given out along in February *after* the farmers have sold their cotton, and is therefore of no value except by way of admonition in determining the acreage for the new year. During the last few years also, in response to representations made from the South, particularly by a conference of the cotton states governors in 1912, the Census Department is publishing monthly reports of American consumption, but American consumption is only one-fourth to one-third of world's consumption. Therefore we have only one-fourth or one-third of the demand factor in our equation. For the last few months the Department of Commerce, in response to an urgent appeal which I presented to Secretary McAdoo as a matter of affecting bank loans on cotton, has been publishing from our consular agents reports of cotton consumption in a few of the foreign countries, but no report has come from Great Britain, the principal cotton consuming country, because the spinners are unwilling to furnish it. Our consuls should be required to furnish intelligent estimates when they cannot obtain official information, but I fear they will not do so unless pressure is brought to bear upon the Department of Commerce by an official body of citizens like this, or unless there is a congressional mandate to do so. No effort should be spared to exploit demand as fully as we exploit supply.

There are two chief elements in the problem of successful marketing, one is information and the other is packing. The information must be supplied by governmental agencies, because the expense of gathering it in a world-wide market is beyond the resources of producers, but the packing is a matter of education among producers themselves, though it may be considerably bettered by appropriate legislation.

In Texas we have inaugurated a rather ambitious reform in cotton handling and marketing. A special session of our state legislature in August, 1914, enacted a comprehensive statute providing the means of organizing mutual associations of farmers for the storage and marketing of their products, and prescribing a method of sampling cotton at the gin. The ginner is required to take a sample from the bale before it is wrapped, and to issue a certificate under bond that the sample is a fair sample. The purpose of this requirement is two-fold. In the first place, it is designed to furnish a sample which will remove the necessity for cutting the bale. As I have explained, the cutting of the bale is the occasion for much waste and the excuse for much graft. In the second place, the regulations of the state warehouse department, under the authority of this statute, aim to prohibit careless packing, mixed packed bales, water packed bales, and dirt and trash, all of which though practised in small degree, discredit the American bale in foreign markets and therefore impose a loss upon all American cotton.

Ginners Oppose Gin Sampling Feature

The gin sampling feature of the law has met with stout resistance upon the part of most ginners, because it requires some small trouble and a slight expense, and it has aroused opposition among buyers who are slow to acknowledge that present methods are at fault, and some of them contend that the gin sample lacks the gloss of the packed sample and therefore does not represent the true value of the cotton. This contention is disputed by many expert and trustworthy buyers, and by experts who are not buyers and have no self-interest in the methods of sampling. As a consequence of adverse representations made by ginners and buyers, many farmers have been persuaded that the gin sample is a vexation and a loss and most cotton in Texas this year has been sold by the old method of bale sampling, though in many of the primary markets the cotton sold is sold altogether upon gin samples, and both farmers and buyers are entirely satisfied. It remains to be seen whether the work of education can save this law from present opposition, or whether the imperfections which are common to every new measure of reform can be overcome in time to prevent reaction which might destroy the law or bring it into disrepute. But I am hopeful that with another year of demonstration our warehouse and gin department will be able to make satisfactory demonstrations and to adopt rules and methods which will give that degree of popular satisfaction which is necessary for the enforcement of any law.

In any case the agitation has been most wholesome and highly beneficial to producers. It has brought public condemnation upon many evil practices in the handling of cotton. It has accentuated the necessity for storage for protection and for gradual marketing; it has shamed and in large degree arrested much of the indiscriminate plucking at cotton and compress yards; it has brought our bankers and business men to an intelligent appreciation of their interests and the country's interest in protecting cotton from waste and graft; it has been one of the important factors in causing many cotton warehouses to be erected where there were none before, and it has had no small influence in reducing the rate of interest charges by banks to farmers for holding cotton against market depression and congestion.

Federal Aid to Marketing

We may or may not have in our Texas warehouse and gin statute the state legislation which is needed, but we have made an approach to it, and I believe that we point the general direction of reforms that may be accomplished by state legislation. I am not sure that national legislation can accomplish much of anything in respect to marketing, except to sustain, strengthen, and quicken the agencies for the gathering and dissemination of information. I am far from saying that the government, either federal or state, can do no more than I have indicated, but I am confident that it should do the things that are manifestly needed before it ventures upon experiments. I rather believe, after considerable study and reflection, that our present need is not for new legislation but for education—education of both our statesmen and our producers in economic truth. The government cannot become a selling agent; it cannot valorize the farmers' products; it can only furnish such service as in the nature of things the producer himself cannot provide. And after that is done, the remainder of the problem is in the hands of the producers, and its solution is to be accomplished by group action according to the sound principles and the approved practices of coöperative endeavors. And this is another matter requiring education, and very patient and painstaking education at that, for in this matter we encounter the inertia and the habit of generations of American citizens taught from their childhood to exalt individualism and to refrain from entangling alliances with their neighbors. Our producers have yet to learn that they can maintain their individualism, which I hold to be the prime factor in all human progress, and at the same time can coöperate with their neighbors for mutual profit.

Why South is Backward

I ask the privilege of saying a few words at this moment. From the excellent addresses to which we have listened, it might appear to the uninformed reader of these proceedings that southern farmers in contrast with northern farmers are incapable and untrustworthy, and that southern bankers and merchants in contrast with northern bankers and merchants are unscrupulous usurers and extortioners. I acknowledge that southern agriculture is backward compared with the agriculture of the Middle West and the North, but there is a reason for it. I beg to remind you that 50 years ago the South was required to pay the penalty of a grievous mistake which both the North and the South had made, in the introduction and maintenance of slave labor. As a consequence of the war between the states, the South was prostrate. The old system of slave labor was destroyed, and there was nothing at hand to take its place. Resources were exhausted and there was no capital and little energy to begin anew. The only basis of credit for operation was the cotton crop we intended to plant. That was the beginning of the crop mortgage system from which we are just now escaping. But our poverty was not the worst of our troubles. We were the victims of a mistaken partisan policy which undertook to set the negroes above us, and we were plundered by carpet-baggers who seized our commonwealths and exploited us for unholy gains. All wise men, North as well as South, now deplore that monster political blunder. But for 10 years we were compelled to give our best thought, and in many cases our physical energies, to saving our civilization and for recovering our commonwealths from ignorance and venality. It took us another 10 or 15 years to get in a good humor about it, so that for 20 or 25 years the best thought of the South was given to social and political problems lying at the very base of our civilization. It was not until the Spanish-American war that the people of the United States realized that the South was no longer a rebellious section, but was in spirit and in deed a part of the Union. It was not until the administration of President McKinley that the last of the measures designed to coerce the South disapeared from the federal statutes. Since that time, the South has made wonderful progress in all economic and industrial undertakings. Our agriculture has taken on a new form, and I feel warranted in saying that no section of the world has made such progress as we have made in the last 15 years. I am pleased to testify that our bankers and merchants during the last year or two especially have given themselves devotedly to the study and inauguration of credit reforms. The South last year for the first time in her recent history fed herself, and her cotton was a profitable surplus crop. I beg you to believe that I am not speaking with any sectional feeling. I am only trying to state the truth of history so that you may understand why we have been backward and that we are now alert and moving forward.

HOW THE TEXAS WAREHOUSE LAW IS ADMINISTRATED

FRED W. DAVIS,
Commissioner of Agriculture of Texas.

There is no question today quite so important to the people of Texas, and, indeed, of the entire South, as that of markets. The lack of anything like a concrete system cuts with the impartial precision of a two-edged sword, in that it disarranges, if it does not actually discourage, production, and curtails consumption, thereby lowering the standard of living for both producer and consumer. It is not a new question in my state, though it has been the subject of acute agitation for a few years only. The much discussion it has evoked, both by the press and from the rostrum, if it has had the good effect of arousing statewide interest has not until recently succeeded in devising plans which promise to prove practical or satisfactory.

I do not consider it my mission here to discuss the marketing as an abstract question, but will state that the first great cause of conditions, in Texas at least, has been the unwillingness of the growers to grant to any agency the necessary authority to successfully establish, build up and maintain trade relations. Without a clear knowledge of trade conditions as they actually or should exist, face to face with so much speculative crookedness, much of which in fact they had been so long the victims, it is not surprising that the growers have hesitated to clothe their chosen agents with the authority necessary to conduct a successful business. Again, it has been observed that in a majority of instances in which sufficient power has been confided to their agencies it has been done under the stress of enthusiasm and too much was expected in too short a time. Consequently, with the enemies of coöperation making flattering reports about what they were able to do—things that the trade agencies were unable to do—and with an "I told you so" air discounting coöperation, it was, in a measure at least, natural that the producers became discouraged. grew suspicious, the effort at organized marketing failed, and the growers returned to the same old system permeated with graft, and accepted the same old excuses. All of these efforts, however, are educational and are not wholly lost. Each succeeding effort is usually stronger and more determined than its predecessor and the general public is in the meantime becoming more interested in general conditions and the urgent need of action.

In Texas the work of the farmers' institute, the Farmers' Congress, the Farmers' Union, and many other forces, after a few years of active agitation, prepared the public mind for necessary legislation along the line of markets. About a year ago a called or special session of the legislature enacted a warehouse and marketing law, which became operative last June, and superseded an emergency law, previously enacted, which expired by limitation last September. It is well enough to remark right here that the most potential influence in the enactment of this law was the experience of the cotton producer in 1910, when he realized approximately 15 cents a pound for his crop—high-water mark for several years—and in 1911, when his vastly larger crop brought scarcely more than half that price, netting him for his output much less than he received for his previous smaller crop. Subsequent experience proved that it was not nearly so much overproduction during this last-mentioned year as it was over-rapid marketing that brought about this collapse of price, and yet it was apparent that unless some radical change in the system of marketing was devised the experience of 1911 would be repeated and aggravated every year an average crop was produced.

Tenants Complicate Problem

The vast majority of Texas farmers, and probably farmers throughout the entire South, belong to the tenant-class. They are share-croppers, croppers-on-credit or an advances by the landlord, banker or merchant, who must be paid as soon as the cotton can be put on the market. The problem involved was the financing of the farmer on a plan by which his output could be kept off a rush-market and fed to a demanding-market. The warehouse and marketing law was the solution sought, and if you will bear with me for a few minutes I will endeavor to outline its provisions.

The purpose of the Texas law, as stated in its enacting clause, is "to provide a system of state bonded warehouses and to afford a method of coöperative marketing for those engaged in the production of farm and ranch properties."

Briefly stated, the law, which by its terms is to be administered by a board of supervisors comprising the governor, commisioner of banking, and commissioner of agriculture, salaried in their official capacities and therefore drawing no pay as supervisors, authorizes the charter of corporations which "shall have the right to erect, purchase or lease and to operate warehouses, buildings, elevators, storage tanks, silos and such other places of storage and security as may be necessary for the storage, grading, weighing and classification of cotton, wool, wheat, corn, rice, alfalfa, fruit, silage and other farm, orchard and ranch products, and all weights, grades and classes shall be made in accordance with the standard of weights, grades and classes prescribed by law and by the board of warehouse supervisors."

Enumerating the powers and duties of the board of supervisors it is provided that they shall "control the administration of this act and shall formulate and enforce necessary rules and regulations to effectuate" its purposes. Among the powers stipulated is that of employing such experts, examiners, gin inspectors and clerks and any other needed service in carrying out the purposes of the law; and to a certain extent the board and the examiners appointed by it are clothed with inquisitory powers, being authorized to administer oaths.

Charges for storage are made subject to limitation and regulation by the board of supervisors.

Fixing Grade Responsibility Upon Ginners

With reference to public gins, all such, whether operated by individuals, partnerships, joint stock companies or corporations, are charged by law with a public use and must secure license from the board of supervisors to operate as such.

Every such gin is required, under penalties and a performance bond executed concurrently with the application for license, to take from every bale ginned by it 3 fair, true and correct samples of cotton, 1 to be filed and preserved by it, and the other 2 delivered to the owner of the cotton, who, if he store the bale in the bonded warehouse, must deliver one to the warehouse manager to be preserved by him. The fairness and correctness of these samples, guaranteed by the bond referred to above, is to be further certified by the sworn affidavit. Every bale ginned by a public ginner must be securely wrapped in a prescribed grade of bagging so as to completely cover the cotton, and each bale so permanently marked as to show by what ginner or gin it was ginned.

If the owner stores his cotton in a bonded warehouse he must be given, as he demands, a negotiable or a non-negotiable receipt, both of which are specifically described. The receipt must show on its reverse side all liens or encumbrances, if any, on the cotton.

The bonded warehouse is required by the law to carry ample solvent insurance to cover all its storage.

The bond of the warehouse is required to be conditioned that the corporation operating it will observe and obey all provisions of the law, and such other laws as may be enacted with reference to such warehouse, and guarantees that the said corporation will exercise ordinary care in the storage or sale (if sale is committed to it) of the product, and guarantees also the classification, weight, grades and measures made by it.

Warehouses Are Audited by State Authorities

The law also requires of the board of supervisors the exercise of strict supervision over such bonded warehouses and also semi-annual, and such other periodic examinations as it may deem proper, into the operations of all warehouse corporations.

Any number of persons not less than 3, who shall be resident citizens of Texas, may apply to the board for a permit to form a corporation—conforming the application to formal conditions prescribed by the law. Such permit being granted, any number of persons, not less than 10, at least 60 per cent of whom shall be engaged in agriculture, horticulture or stock-raising as a business, and no less than three-fourths of whom shall be resident citizens of Texas, may apply to the board of supervisors for a charter as public warehouseman. That application must contain the name of the proposed corporation; the place or places where its business is to be transacted, and the location of its principal business office; the purpose for which it is formed; the term for which it is to exist; the number of its directors, which shall not be less than 3 nor more than 25, and the names and residence of those selected for the first year; the amount of capital stock; and the application must be accompanied by the affidavit of 3 of such applicants that the capital stock is actually paid in, which capital stock shall in no instance be less than $1,000 divided into shares of $5. If any of same has been paid in other than cash, then a detailed statement as to the kind, character and value of the property shall be made a part of the affidavit. Such corporations are required by law to organize on the "one-man, one-vote" basis in stockholders elections.

Such application complying with these provisions and being approved by the board, the secretary of state, on payment to him of a fee of $25, shall issue a charter, on which the commissioner of banking shall issue a certificate authorizing such corporation to do business until the last day of March of the following year.

In addition to the general powers of the board before set out, it is specifically required that whenever it shall have reason to believe that the capital stock of any corporation subject to this law has become impaired, it shall require such corporation to make good the deficiency. It is authorized to examine into and supervise the corporation's manner or method of doing business; require a compliance with laws and regulations, and if a corporation is found to be insolvent, or that its continuance in business will seriously jeopardize its creditors, it is made the board's duty to close such corporation and take charge of its effects as a preliminary to proceedings by the attorney general for the protection of creditors.

The law contains many other provisions, but these are about all that are material to the purposes of this discussion. The products for the handling of which the organization of bonded warehouses is authorized includes, as has been noted, all of those of the farm, orchard or livestock industry, but it is deemed sufficient to discuss only cotton in this connection, as the efforts of the board have been thus far principally directed to the handling of that commodity. All other commodities entitled to and receiving storage are entitled to the same service, care, protection, classification, grading, weight or measure as the case may be. It has, however, issued since it came into existence a semi-monthly bulletin in which has been listed, free of charge, the various productions of the farms for sale or exchange, and the articles desired to purchase by other farmers—a modest effort to bring buyer and seller together.

With its main provisions thus set out, it will be seen that the object of the law is to afford the farmer the nucleus of a concrete coöperative marketing system—an agency whereby he can escape the sacrifice of his produce—his cotton, in illustration—by practically compulsory sale in order to meet his debts incurred in the process of production.

Now, with the cotton crop made, the problem is, if it is a crop in excess of the demand, to keep the surplus off the market and in the equitable control of the producer, until it will bring its intrinsic value, and it must be worked out with the debtor-owner. His problem is to get the money with which to pay his debts without sacrificing his cotton.

Will Warehousing Equalize Cotton Marketing?

Are these two things possible under the system of state controlled bonded warehouses provided by the state of Texas. Answering frankly, I can only say that it is yet but an experiment of a few months trial, but I can give it as my opinion that if it receives the support and coöperation of the farmers of Texas, and equally efficient systems are adopted by the other cotton states and they are supported by their farmers, they most assuredly are.

For the system, if it works out as designed, will do these things:

It will eliminate practically every source of the farmers' waste.

It will secure for the owner the proper ginning and baling.

It will secure for the owner the true grading.

It will prevent country and other damage to the cotton.

It will provide the owner with insurance.

And, finally, to enable the distressed owner to hold his cotton, it provides him with a uniform warehouse receipt, which, (if he desires it) is invested with the character of an "at sight" negotiable security, and on which he can raise money in any of the commercial centers of the country.

In a nutshell, the tenant farmer—or any other cotton owner—under this system gets the benefit of regulated ginning, baling, sampling and grading in any event, and, besides the other advantages named, a warehouse receipt he can negotiate at once as security for money with which to pay his debts, until, in a market fed to meet the exact requirements of the spinners, he can sell his stored cotton for its intrinsic value.

The federal reserve banks, according to the secretary of the treasury, stand ready to take our warehouse receipts as good security at a low rate of interest, and our bankers generally, since this agitation first began, have been practically a unit in declaring that they have ample money, and are more than willing to do the same thing.

State Aid in Organizing Coöperatives

The efforts of the board have been, as stated, confined principally to the handling of cotton, although it is empowered to organize warehouses for the handling of all farm, orchard and ranch products. The system went into operation in June, and the budget for this fiscal year provides for 2 managers, a chief clerk, a bookkeeper, a bulletin clerk, and an assistant, two stenographers, 4 warehouse examiners, and 6 gin inspectors. All traveling expenses, when the travel is on warehouse business, are paid by the state.

Since the law went into effect, 4091 gins have been licensed and about 2,000 have been inspected. We have found that the ginners, with few exceptions, notwithstanding an organized opposition by a few of them, have obeyed the law. We have chartered 56 warehouse and marketing associations, and 114 warehouses are operating under the law.

I am free to confess that our progress in the organization of warehouse and marketing associations has not reached our hopes, though it may be said to fairly meet reasonable expectations in view of all the attendant circumstances. It will be well for those whose first impression will incline them to challenge the record as unpromising, to reflect that it was only 3 months ago that the law came into full operation by superseding the emergency act; entirely too short a time in which to test the merits of any great enterprise under the most favorable conditions. Again, from the moment the law was mooted it encountered the determined opposition of a most influential class—the ginners—who imagined it impossible to construct a law that would not seriously threaten their interests. But more than all else that operated to retard the organization of these institutions was the wholly unlooked for high price of cotton and cottonseed in the open market, resulting from the short crop—the shortest apparently since 1910—which brought the curb demand to the supply.

Changing a Social Order

The experiment, as shown, is yet in the very first stages of its test, in its earliest infancy, and it would be unreasonable to expect one involving such vast interests to blossom into a huge success with the first season. In the first place, the success of the plan depended, as it yet depends, upon the coöperation of the vocations—not only of the farmers, but of the bankers, merchants, and business men generally—and yet, it contemplates not only a radical change in a long established and crude, or rather arbitrary, marketing system, but the complete subversion of that system, and the erection upon its ruins of one that will be just alike to the producer and the consumer. Three years instead of the three months of its full operation, would be a more reasonable time in which to work out the problems involved.

It is true that many ginners have yielded a reluctant obedience to the law, protesting their opposition to it, and openly sympathizing with the action of the individual members who took the constitutionality of the law into the courts.* Their objections, of course, were based altogether upon the regulations and restrictions imposed upon their operation by the law. For example, they oppose the sampling provision of the law, and yet how the honest ginner is to be affected by it, no candid man who studies the requirement can possibly conceive.

Surely the farmer, who must necessarily become the customer of the ginner, if the ginner is to have custom, is entitled to have his cotton honestly ginned, graded, and baled, and the gin sampling is the most vital thing recommended by government and other experts as the essential prerequisite to true grading. No honest ginner, so far as either the farmer or subsequent purchaser can understand, can reasonably object to certifying the samples as representative and fair, and that in the process of baling no foreign substance was introduced into the bale. The proper baling required by the law is of a certain class of bagging, to cover the entire bale, and it is not possible to understand how the honest ginner is to be affected if he computes but the honest profit on the cost of such bagging against the owner of the cotton. However, in referring to the opposition of the ginners in part explanation of why the process of organization has not been more rapid, I am not called upon to argue the merits of the ginners' objections to the law. Whether tenable or not, these and other objections were urged, and finally embraced in a legal proceeding challenging the constitutionality of the law. It can be readily perceived that such opposition must exert a a great influence on the public mind. More than that, the bare possibility of the law being held defective by the courts was bound to have a great influence in restraining willing parties from embarking in a warehouse business that might be neutralized by the decision of the courts.

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* Editor's Note: Since this paper was read the Texas Supreme Court has sustained the law in all its essentials.

Another real reason for objecting to the law may be imagined from the fact that the ginners could easily discern the loss of a hitherto source of profit in the success of the proposed system. If a scheme can be devised by which the distressed farmer can hold his cotton, he can, by the same means, hold his cottonseed. Now, many of the ginners of the state—not all of course—have found a source of great profit in acquiring the seed at distress prices, after the ginning.

What the Cotton Buyer Thinks About It

Opposition has been encountered from another equally interested class—the financially interested "cotton-buyer"—the gentleman who stands on the curb and depresses the price of the staple to the extent of his ability, while he slashes the bale right and left for samples on which to make his own grading or classification, which samples are rebaled and sold. This source of profit amounts to millions annually. The occupation of this "middleman" will disappear with the perfection of a coöperative marketing system, and hence his opposition is neither remarkable nor surprising.

By far the most influential factor in retarding the work of organization, as mentioned before, is the unlooked for high prices of cotton and the unprecedentedly high prices of cottonseed that have ruled since the passage of the law. They discounted the present necessity of the warehouse, so far at least as concerned the first marketings of cotton. Almost coincident with the opening of the new season the "upward movement" began, cotton soon soared to a compensatory price, and, by the time the season was half advanced it had almost touched, on many of the curbs of Texas the record figures of 1910. As a matter of fact, counting the phenomenal price he got for his cottonseed, the farmer realized on his output a *better* price than he got in 1910. So, at first blush it would appear that, so far as it might be used as a cotton marketing agency is concerned, the warehouse was little needed this year, and those interested in cotton took less interest in warehouse organization.

Now, while undoubtedly the primary cause of high prices was the apparent certainty that the cotton yield would be cut to possibly low-water mark, I contend that the yet incompletely organized system bore a considerable part in their realization. As a means to that end it had most to do with creating the sentiment in favor of holding cotton for high prices, and this was bound to have a great effect upon industries requiring cotton and those requiring the seed in the manufacture of by-products. To warehouse a considerable part of an undercrop would, perhaps, force fancy prices—something the manufacturer would avoid at all hazards. Accordingly I maintain that the warehouse system, by bearing a conspicuous part in forcing the at least compensatory price of cotton, has sustained its first test and demonstrated its utility as a marketing agency.

I have discussed the warehouse from the standpoint of cotton because, as I said, the board has confined its efforts principally to the handling of cotton.

Is Cotton Marketing Solved?

Cotton should be the easiest of all crops to successfully market. When properly ginned and wrapped it is non-perishable, if kept from the weather. Any amount of it can be put under one roof and it is not harmed either by excessive heat or excessive cold. It can therefore be put upon the market as the consuming world may demand. Another advantage in selling cotton is the large unit value—the bale. One unit equals in value many units of corn and other agricultural commodities. These advantages, coupled with the fact that it is the best collateral on earth, the South has but to find a means of correcting the abuses of the cotton trade to become the most favored country in the world. No other money crop can compare with it and it enters into all the fundamental necessities and pleasures of life. It covers prince and pauper, feeds the hungry, heals the afflicted. It is very important as a food, medicine, clothing, photographing, printing. It is an absolute necessity in times of peace and war. This is the commodity in which the South has a practical monopoly. We have but to reap what we sow and not leave it to others.

I may add that though the warehouse is designed for the accommodation of other farm products, the time has not yet come to consider it in that connection, though the experience of this year proves that that time is nearer at hand than most people think. Though we have a small crop of cotton—but a big priced one—we have big crops of everything else, and diversification has demonstrated that we can raise in prodigal abundance everything we have been importing from the other states—corn, wheat, oats, barley—and many things most of the other states can not raise. We have at last aroused our farmers to intensified and diversified farming, and the time is not far distant when with a perfected marketing system we will have all other states as far "skinned" in agriculture as we have in square miles, climates and varieties of soils and resources.

WHAT THE NATIONAL FARMERS' UNION IS DOING

Joe E. Edmundson

National Lecturer, Texas Division of The Farmers' Educational and Coöperative Union of America

It is a disappointment to me and I am sure it will be to others, that Mr. Barrett, the national president of our union, was unable to be present. Mr. Barrett is more familiar with the national aspect of the organization under discussion than I am. Perhaps I am more familiar than Mr. Barrett so far as the Texas field is concerned. I have a general knowledge of what the organization has done and what it has tried to do and what it hopes to do throughout the country. Hence I would say that I feel I shall come far short of discussing this subject as intelligently as Mr. Barrett would do were he here.

Before the Farmers' Union came into existence as an organization the average farmer of the South was very much dissatisfied with his condition in life. He realized that he had not been getting the value of what he produced. He felt that he was not responsible for this condition and was much inclined to lay the blame at someone else's door. He realized that he and his family would have to labor the entire year to grow a crop of cotton, and that he would have to sell this cotton crop immediately upon gathering and often at a very low price. In fact, this type of man was unable to supply himself and family with their necessary wants and comforts. His children were not being educated as they should be and their prospects in life were none too good. Such a condition led to a deep seated discontent. The great majority of the farmers realized, however, that they needed some form of coöperation, and they began to realize that in order to do what they would have to do they must organize themselves. This led to the birth of the Farmers' Union.

After this organization came into existence we began to study the real condition of the farmer. We found that the farmer himself is perhaps as much to blame as any other individual. So the organization of the farmers was begun in order to protect them.

We have undertaken not only to conduct ourselves as members of that organization along the better lines by using better methods in preparing our products for market, but we have undertaken to do something that would affect the market itself.

Giving An Impetus to Standardization

It was the Farmers' Union that first discussed and passed resolutions looking toward the proper handling of cotton. The cutting of the cotton bale is one of the evils in the South. This cutting is a great waste. It is the source of what is called in the South "the town crop". The buyers take handfuls of the cotton for sampling and later resell these samples in bales. This loss alone must total a million dollars every year to the southern people. The practice of cutting the bale also leads to much damage in the quality of the cotton baled, and makes a very ugly appearing product when offered for sale. The Farmers' Union brought this matter to the attention of the public and conducted an agitation for reform. We have now a law in Texas known as The Warehouse and Marketing Law, which looks toward a correction of the evil and provides for adequate storage, and also affords a bonded security basis for cotton loans.

We have also advocated the principle of a warehouse and continual marketing of the cotton. We believe that is the only sensible way by which we could ever hope to have any say-so as to the price which cotton should bring. Take the world, and throw that commodity upon the world as a matter of fact, within 3 or 4 months time and it is unnecessary for me to say the effect of that upon the community. Hence, we have gone into this. We are advocating the erection and operation of warehouses for storing the cotton product, in so far as the South is concerned. We have a number of warehouses conducted coöperatively, and it is eminently satisfactory in many cases.

A Voice: You have more than 100.

Mr. Edmundson: Up until a few were destroyed by fire, we had something over 100.

Mr. McCarthy: Is that in Texas?

Mr. Edmundson: Yes, that is in Texas.

Mr. McCarthy: You had 211.

Mr. Edmundson: Yes, but I am not so familiar with the other Southern States, and that is why I regretted the fact that Mr. Barrett was not here to take up this matter with you himself.

Mr. McCarthy: Now, in Texas does the warehouse contribute as a warehouse to the central organization?

Mr. Edmundson: The warehouse itself does not, but the members of the organization, and who constructed the warehouses contribute to the Central Organization.

Mr. McCarthy: We have this difficulty in Wisconsin, that after the organization forms a creamery, then the men in the creamery get away. They don't belong to the Central Organization.

Mr. Edmundson: I see.

Mr. McCarthy: Do you have that condition there?

Mr. Edmundson: Yes, we have had some trouble in Texas. We have had some difficulty along that line, but not as much as you people have had.

The Chairman: May I ask you if your organization has social advantages as well as otherwise?

Mr. Edmundson: Yes, it has the social feature.

The Chairman: I ask you that because the Grain Men's Associations have a tendency to be largely social.

Mr. Edmundson: Well, that is not the case here.

Cotton Grading Schools

Mr. McCarthy: There are a lot of farmers belonging to the organizations in Wisconsin for that purpose. Now you just mentioned that you had organized a school for grading cotton. Will you kindly tell us just how you organized that, and just how you worked it out. There are lots of things in the standardization and grading that our society has not taken hold of yet. I wish you would tell me just exactly what you have done along that line.

Mr. Edmundson: Attention has been called to the cotton growing centers. The average farmer of the South doesn't know, or didn't know anything about the grading of cotton, and hence the Farmers' Union conceived the idea while Mr. Davis was one of the officials at that time. That school was organized—it was decided upon by the state officials of the organization at that time.

They had throughout the jurisdiction of the membership, sent word or let it be known that a cotton grading school would be conducted and taught in the city of Dallas, Texas, and that the tuition for the attendance would be $15, I believe. That tuition went into a fund to defray the expense of the school. and pay the teachers, and so forth, and purchase samples together with covering all the expenses incidental to the school, etc. There was the tuition of $15 each for each in attendance.

We were gratified by the number in attendance, many of them were farmer boys and many of them almost middle aged, and some beyond that.

Expansion of Instruction in Grades of Cotton

There was so much satisfaction in that that the spirit grew and spread throughout the state and they found that one school could not very well meet the requirements and they commenced to establish other schools and other schools were organized in the same manner. Others are being conducted at Paris, Texas, Big Springs, at Ft. Worth, Houston, and at various other places. They have employed extra teachers in order to be in a position to teach each one that attended that growing school. They found that $15 tuition was just about enough to cover the expenses, incident to the school, and employ teachers, etc.

This having met with considerable approval, and the general public beginning to see the necessity of it, the colleges took up the teaching of the grading of the cotton, in the schools, which had some effect.

However, the Farmers' Union, I believe, if I am not mistaken, was the first organization, the first body of men that ever undertook anything of that kind.

Mr. McCarthy: What year did you start that?

Mr. Edmundson: The year, 1905.

Mr. McCarthy: And how long a session each year.

Mr. Edmundson: They generally ran in for about 60 days, I believe.

Mr. McCarthy: Sixty days, did you say?

Mr. Edmundson: Yes, 60 days.

Mr. Davis: You might also state, in that connection that the Union was instrumental in securing the grading of the cotton.

Mr. Edmundson: Yes. I want to state that the Farmer's Union was really the pioneer or one of the pioneers in bringing about the influence that induced the United States Department of Agriculture to establish those samples of grading.

Mr. Davis: That thought came about in our schools, you know.

Mr. Edmundson: Yes. It came out in our schools.

Coöperative Gins

Mr. McCarthy: Mr. Ousley mentioned the fact that there was some coöperative ginning?

Mr. Edmundson: Oh yes, sir. We have some coöperative gins there.

Mr. Ousley: In Ellis county, to which I alluded, there are 27 coöperative gins, owned by these people. They make very handsome profits and are owned by successful and thrifty business men, and they are men that belong to the Farmers' Union—several of them, and others that are not members of the Union. There are Farmers' Union gins and there are farmers' gins that are not members of the Union.

Mr. Davis: Now, in 1906 or 1907 one company came to the executive committee of the Farmers' Union and they understood that we were already conducting coöperative gins. They proposed to take one of our men out of the business department and pay him and gave a certain per cent to the organization with the understanding that they would furnish the gin at the same price as they sold it to the others. And that was the rule for 2 years.

Mr. Edmundson: This had its organization after the Union was organized, and after they had organized that department.

Now, Col. Ousley, they have a number of these in the western part of Texas.

Mr. Ousley: And you might add, further, that there are some coöperative cotton oil mills.

Mr. Edmundson: Yes, that is true. At Wichita Falls the Farmers' Union owns coöperatively the gin and the oil mill, and all those things.

Mr. McCarthy: Are there any other attempts of your organization to teach the grading of their products?

Mr. Edmundson: There has been but very little done in any other line. This is simply because cotton is the principal crop. In fact, it is about the only crop that the farmer grows for grading purposes.

Mr. Ousley: I have in my department an appropriation of $2,000 a year for that purpose. It is a very modest sum, for that purpose; but we use what we have.

Purchasing Supplies Jointly

Mr. McCarthy: Now, I would like to ask whether the local organizations, are doing anything in furnishing the farmers with their agricultural requirements, the machinery and the seed, and the fertilizer, etc., necessary to get that crop? I would take it from what I have learned that the farmer is a manufacturer. If he is a manufacturer, he is entitled to buy his agricultural requirements at the wholesale price. I simply want to know whether you have gone into that at all or not.

Mr. Edmundson: In some of the localities, the organization has taken that matter up somewhat, but as a general proposition, they contented themselves with discussing the marketing side, because that was the big problem and they have not solved it yet.

Mr. McCarthy: But, how would you say about this,—that if that is the fair proposition and we are willing to accept that, isn't a dollar saved and in that way just as good as a dollar saved in any other way?

Mr. Edmundson: Absolutely.

Mr. McCarthy: It is just as good and it is worth one hundred cents on the dollar?

Mr. Edmundson: Yes. There is still a great field to be worked on that line.

Mr. Ousley: In the Southeast, the Farmers' Union principle activity is adapted to fertilizer.

Mr. Edmundson: It is also true with a good many others who are not of the Farmers' Union. I would like to make a remark in that connection. It is a mere matter of opinion but I think it worth while to state that there is a good deal of this education. I did not think that the farmer is entitled to wholesale prices in this way. I simply raise the question as to whether we had better discuss that.

Mr. Lyman: You arouse antagonism, of course.

Mr. Ousley: Yes you do. I have not encouraged that. I thought it best to promote first, the selling end of it with the farmer, and then, when we get to that, it will be all right.

Mr. Slocum (Michigan). Twenty one years ago we organized a society in Michigan, and today we have 7,000 members in that organization. Now, I want to say that we make a line of demarcation between the men—between the farmer and the others.

The elevator and all that pertains to the farm product belongs to the farmer. We have, in the past 8 years, divided our work. We have devoted our work to solving the problem of the farmers of Michigan. This last year, we had over $8,000,000 worth of product. Now, your question that you ask, with reference to fertilizer,—I think you will find that Armour & Company, here in Chicago, will tell you that Michigan is the largest consumer of fertilizer that they have. It is all made by our own formulas.

Several years ago we got a law through the legislature to establish a factory at Jackson, and we have made the Jackson state prison self-sustaining. This last year they have turned over a profit and it has paid all its own expenses.

Everything that goes to the farm production should be bought in large lots by the farmers themselves, and as the little town learns that the town can successfully do business—as it learns that it can be successful only so long as the farmers who farm are doing so at a profit, they will join with us.

The Chairman: How did you find the fertilizer men taking up that proposition?

Mr. Slocum: How did we find it?

The Chairman: Yes, are they antagonistic to it?

Mr. Slocum: Not at all. When they begin to learn that you can give them a bigger order than the other fellows.

The Chairman: I see.

Mr. Slocum: We buy from Armour & Company and have each our own brands. I think now,—I presume that we have 25 fertilizer men from all over the United States coming to us to get our business, and I want to say that they are glad to get it.

The Chairman: Well, you buy the chemicals and manufacture it according to your own ideas and according to your own formula.

Mr. Slocum: Yes, as to the requirements and needs of our soil. Different sections need different stuff, of course.

Mr. Black: They speak of owning these gins coöperatively. Do they mean that strictly, or is that a stock word?

Mr. Ousley: Not altogether, Mr. Black. A few of these warehouses and gins are on a mutual plan. Many of those are now, however. They are coöperative, only in the sense of there being groups of farmers working together.

Mr. Black: I want to say one word more. I have been a member of the Farmers' Union, and we are interested in the buying of sacks. We probably buy a million sacks a year. We proceed to have a pool at about the time we want to buy, and each one puts down absolutely what he will take, and we get our sacks at a remarkably low figure, just by doing that.

Now I see that that cotton is put up in Jute there, and the president of the State Farmers' Union, with two of the executive committee, went down to Texas for the purpose of investigating cotton bags, and with a view to putting our corn in cotton bags, instead of jute, and now I am surprised to see the cotton bales put up in these jute bags.

Mr. Ousley: Well, jute is cheaper.

Mr. Ousley: Well, that has been agitated a great deal. The use of the cotton bag. Under the Act, the cotton bag is prescribed. That was put in there so that if the opportunity ever presented itself, when it seemed possible to use cotton bagging, it would be done, but this year they held cotton bagging at a higher value than at others. Usually, heretofore, they have been sold at around three or four, when cotton was worth twelve. All the low grade cotton came into demand this year.

WAREHOUSES AS AFFECTING THE PRODUCTION, FINANCING AND MARKETING OF COTTON

Ernest M. Loeb

President of The Board of Commissioners of The Port of New Orleans

Of the agricultural products of the United States, cotton ranks second in value, being exceeded only by the value of the corn crop. Corn is produced in every state of the Union while cotton is confined, with the exception of a very few bales, to the 13 Southern states. The center of this production in the United States is now near the point of the state boundaries of the states of Louisiana, Mississippi and Arkansas, located on the Mississippi River, approximately 225 miles in a radial line from New Orleans. Analogous distances of Galveston and Savannah are respectively 360 and 575 miles.

In the process of marketing of cotton, the necessity for proper warehouse facilities begins from the time the lint is picked in the field and continues until it is delivered to the mill. Bulletin No. 227 of the United States Department of Agriculture estimates that in normal years there is a loss of from $30,000,000 to $75,000,000 from what is generally, though incorrectly, called "Country Damage", from which it will be seen that there is an ample need of adequate warehousing system for cotton similar to the present warehouses or elevators used in the marketing of the enormous grain crops of the country. In any system of warehousing, the producer is concerned only in the physical protection of the cotton until it is delivered at the primary market, usually, as in the case of cotton, a concentration and classification point.

Up to this time the cotton has been under the control of the farmer and in spite of the fact that the southern cotton farmer has a virtual monopoly in the production of the great staple necessity, which clothes a large part of the world, yet he has not profited by such situation as other monopolists do, but has on the contrary, managed to eke out of his monopoly a precarious and dependent living. The faulty marketing conditions under which the farmers have been laboring are that the crop which the mills require 12 months to consume, is sold by the producer within a few months.

It is quite evident that if cotton continues to be forced on the market within a comparatively few months of each year, as at present there will not only be a material loss to the farmer, but the various branches of trade must be taxed in the effort to handle the crop.

Why Cotton Should Be Warehoused

It is particularly true that many of the farmers as well as dealers, suffer a great loss because they do not understand the importance of protecting and conserving cotton while it is waiting a fair market. Corn, wheat, hay, sugar, tobacco and all other products of the farm, are carefully and systematiclly prepared, inspected, graded and certified in accordance with established rules based upon sound and economic business methods.

No agricultural product is less subject to deterioration and damage from exposure to the elements than cotton. As a direct result of these facts, no similar product is less protected from damage in its movement from producer to consumer. The enormous economic loss resulting to the Southern States from the present methods of handling cotton is receiving the attention not only of the farmers, the men of the cotton trade in general and the bankers, but of the state governments.

A number of the Southern States have recently passed or are about to pass, warehousing laws designed to protect cotton from physical damage and at the same time to so safe-guard the cotton so as to render it sound collateral upon which the farmer can obtain money at a low interest rate.

What Warehousing Might Do for Cotton

The value of a system of warehouses would have been inestimable during the cotton panic of last year. As has been indicated, the functions of a warehouse are:

First: It offers temporary storage facilities when the person owning the product is not in a position to store it himself. In the cotton business in normal years, this will cover the period from the time the cotton is ginned until it is sold by the farmer. It also provides the cotton dealer with a place in which to store his cotton from the time it is purchased until it is shipped.

Second: The warehouse should furnish the owner of the stored product a negotiable receipt. This receipt should show definitely what product is stored, the ownership, the amount of goods, the kind or grade, the condition, and the location of the warehouse. It should also show that the stored products are properly protected by insurance. The legal holder of such a receipt would be protected as fully as if he had the goods securely locked in his own vault.

Third: The warehouse provides a reservoir for surplus during years of over-production or when market conditions are very unsatisfactory. When there is a surplus of any product there should be some way of saving it until there is a better demand for it.

In connection with the value of a negotiable warehouse receipt it should be said that proper state laws covering the issuance of the receipts are necessary. In order to be of greatest value the warehouse receipts should show beyond question the ownership of the product stored, and this accuracy cannot be accomplished unless the states in which the warehouse companies operate have laws that properly guard the issuance of receipts. The laws of Louisiana and the form of cotton warehouse receipt issued by this state, embody these important requirements.

If the laws of the state in which the warehouse is located are such as to throw any cloud upon the title of the goods covered by the receipt, the receipt immediately becomes almost worthless as collateral and defeats any efforts to borrow money at cheap rates from outside sources.

In addition to enacting such laws as will guarantee effectively the integrity of warehouse receipts, it seems advisable for all states to adopt a law of uniform warehouse receipts. This law is now in effect in many of the states and has been approved by the American Warehousemen's Association, and the American Bankers' Association, and the American Bar Association, as being the best form in which laws can be made to protect both the owner of the goods and the lender of the money against the receipts covering such goods.

Why the Farmer Must Sell

Generally when the farmer has gathered his crop, it becomes necessary for him to turn it into money in order to pay his merchants who have probably advanced him on the crop, and who in turn have their obligations to fulfill. To obtain such necessary funds the cotton or a sufficient amount, must either be utilized as the basis of a loan or else be sold. The country today has generally no adequate and inexpensive warehousing facilities which issue dependable or widely current certificates of ownership. The farmer is therefore not able to realize the necessary funds with the cotton as a basis for security, or if able to do so, he has to pay so high a rate of charges and interest that the transaction is unprofitable. The result is that during the fall months when the farmer is compelled to sell his cotton, the supply exceeds the demand and as a result the price usually falls below the real value of the commodity.

As has been pointed out, the remedy for this condition is a system of inexpensive warehouses operating under proper state laws, guaranteeing the certificate of ownership and if necessary, guaranteeing the grade and weight of each individual bale, as shown on the receipt. With such a receipt, the farmer can, with the impetus which the federal reserve law has given to banking facilities throughout the South and elsewhere, borrow money necessary to meet his obligations, and, equally important, borrow it at a low interest rate.

While cotton is recognized as the best collateral, it will not be accepted by business men except under proper conditions. The bankers throughout the South generally, state definitely that they will advance funds on it readily and that it is preferred to real estate as security. The difficulty with the farmer is that with the present credit system under which he operates, he has mortgaged his crop before it is made, and usually at exorbitant rates of interest, not only for the money advanced but for supplies and material necessary in the making of the crop.

While it is difficult to remedy this situation, it would be greatly improved by the establishing of a system of warehouses and encouraging farmers to store such cotton as is not absolutely necessary to settle their accounts.

Unfortunately, the merchant is almost as helpless as the farmer. He advances supplies while expecting cotton to bring a fairly good price. In most cases he has purchased his stock on credit and cannot meet his own obligations until the farmers' accounts are paid.

The effect of these conditions and the lack of warehousing facilities was reflected in the price of cotton during the latter part of 1914 when many farmers refused to sell their cotton with the result that the merchants, with the unusually low price prevailing, could not afford to close out the farmer to whom he advanced, for the reason that if the cotton was thrown on the market it would not have brought enough to settle his account.

What Louisiana Has Done

The state of Louisiana while it has not as yet passed a public warehouse law, has, however, provided through an agency of the state,—the Board of Commissioners of the Port of New Orleans,—at an expenditure of approximately $3,500,000, a state-owned and operated warehouse, which under a constitutional amendment to the laws of the state, can issue state receipts for the cotton stored and which upon the payment of a slight fee can be certified to as to condition, grade and weight of the cotton, by the New Orleans Cotton Exchange.

This warehouse is available to the farmers, not only of Louisiana, but due to its advantageous location at the second port of the United States, offers inducements which more than compensate the slight increase in transportation costs that might be due to equivalent costs from any location to a nearer port.

In any warehouse system storage costs must be a minimum; insurance costs as low as consistent with economy of construction; the financial facilities and responsibility of the warehouses such that money can be obtained on the cotton at low interest rates.

Owing to the permanency of production and consumption, locations, as indicated by the recent study of the cotton business made in connection with the erection of the publicly owned and operated modern warehouse at New Orleans, it is conservative to assume that the center of gravity of the business as a whole will not materially change, except as to location of marketing and routes of transportation. Because of the ramifications of the cotton and other market connections of New Orleans throughout the Mississippi valley, and abroad, it becomes possible to handle and dispose of a larger number of grades of cotton in the New Orleans market, than in other markets of the Gulf coast and interior points.

Manufacturing Turned Southward

The tendency of cotton manufacture in the United States is toward the South,—in the world it is toward Japan, China and India. Such changes as have occurred or are now in process, are strengthening New Orleans both as a spot and future cotton market. Unmanufactured cotton is the largest item of export of the United States, amounting in value for the year ending June 30th, 1914, to $610,475,301. This merchandise now moves over routes of least resistance, principally along the North and South lines of transportation, terminating at the port cities such as New Orleans, Galveston and Savannah.

In the present general routine of marketing cotton, the tendency is to concentrate cotton by buyers in the interior who protect themselves in the future markets, such as New Orleans and Liverpool, and ship to the manufacturer on a through bill of lading. The future contract, however, protects the buyer in only one grade. A guaranteed state warehouse receipt not only enables the planter, buyer or manufacturer who owns the cotton to hold at the best strategic point for world marketing and finance his requirements at the lowest market rates for money, but gives him a speculative interest in any grade to which his cotton belongs. Cotton is as nearly non-perishable as any agricultural crop. By eliminating financial necessity on the part of the planter through a reduction of approximately 33⅓ per cent in rates paid for money, there remains no reason for hurried, uneconomical marketing.

As mentioned elsewhere, New Orleans should, after the beginning of operation of the warehouse plant and the Panama Canal, become the greatest spot cotton market of the world because of its strategic location in relation to the world's principal points of consumption, the Continent, the United Kingdom, the Southeastern Coast States, New England, Japan and China.

Simultaneously with the adoption of western methods, China probably will, because of the qualities of its labor, become one of the greatest cotton manufacturing countries. Considering Japan and China as cotton manufacturing countries, through the Panama Canal, New Orleans may become the geographical center for cotton distribution to manufacturers.

Changing the World Center of Cotton Marketing

In establishing the publicly owned and operated warehouses in the state of Louisiana, the Board of Commissioners of the Port of New Orleans among other aims had in view to make New Orleans a market of deposit similar in characteristics to the representative ports of Europe,—London, Hamburg and

Liverpool. New Orleans can sell to any consuming market in the world, it is an original port of shipment,—Liverpool, London, Hamburg and Havre are secondary ports of shipment and cannot sell to each other or American mills without incurring an economic loss.

Because of the efficiency resulting from consolidation and more complete organization of forces, the tendency of present ocean commerce is to use the fewest ports practicable to the exclusion or curtailment of other ports. This is exemplified in the relative volumes of business of the ports of New York, Boston, Philadelphia and Baltimore. A return of the approximate equal division of commerce between ports in the same general section, is not to be anticipated. If present port concentration in general localities is to continue, it is reasonable to assume that the greatest export and import ports of the United States will be New York, New Orleans and San Franciso, serving respectively the Atlantic, Gulf and Pacific Coasts of the United States in export and import commerce. Recent port development in the United States has been stimulated by:

1. The demonstrated economics resulting from European port and harbor development which must, in competition, be established in the United States.
2. The construction of harbor facilities in advance of trade.
3. Competition between trunk line railroad systems necessitating individually owned terminals.
4. Probable increase in ocean transportation through the opening of the Panama Canal.
5. The invention, improvement and use of freight handling machinery.

The board of commissioners of the Port of New Orleans in carrying into actual physical effect the will of the people of Louisiana as expressed in acts of the state legislature and later ratified by vote of the people as an amendment to the Contitution, instructed their engineers to so design and equip the publicly owned and operated cotton warehouses and terminal:

1. That the construction under the $3,000,000 expenditure available be a part of a comprehensive plan which could in the future be enlarged in storage capacity, terminal trackage and wharf area.
2. That such structures be at a minimum cost per bale of storage capacity commensurate with permanent construction, insuring the greatest possible protection from fire.

3. That the structures be so designed as to permit the installation of economical mechanical conveying equipment with its consequent reduction in labor costs.

4. That the structures be such as to enable the plant to be operated at maximum earning capacity and therefore when not required for cotton to provide for the storage of coffee, sugar, sisal, rice, jute, tobacco and other standard package commodities.

5. That the structures and appliances be such as to permit of the receipt and handling of cotton and other commodities from vessels and for transfer to freight cars, as well as the receipt and handling of cotton and other commodities from freight cars and the delivery to vessels, thus adapting the plant to a two-way operation.

6. That the plant be so designed as to be adaptable both to the present methods of inspecting, weighing and classing of cotton and such new methods of modifications as may be instituted, based upon the recommendations of the cotton exchange and requirements of the cotton trade.

7. That the compartments be of such dimensions and the appliances of such design that flat as well as compressed cotton may be handled and stored economically.

8. That the plant be arranged for efficient handling of factor's cotton, f. o. b. cotton and through cotton.

9. That the plant be such as to serve the port of New Orleans as a deposit market for the cotton supply of Europe as well as the United States.

The operation of the public cotton warehouses and terminal will not in itself solve the marketing problem for the entire cotton section. It will materially assist the farmer in enabling him to obtain cheaper money, the banker in insuring the absolute probity of security for his money and the merchant in reducing the cost of handling.

ELEVATORS—LOCAL AND TERMINAL

ADVANTAGES OF A STATE-LICENSED WAREHOUSE SYSTEM

J. C. F. Merrill,

Secretary, Chicago Board of Trade, Chicago, Ill.

The question of government owned storage has been prominently before the public of late, especially that for the relief of the cotton states. It is commonly desired by those sections of our country financially unable to provide it for themselves.

When financial stress occurs and becomes general, as in case of panics, collateral ordinarily entirely acceptable to bankers is not infrequently refused, because such loans would but represent investment of their capital for the period covered by the obligation they secure.

I once heard President Forgan of our City National Bank say that he would rather lend money on wheat collateral, if the wheat was hedged by a time contract, than lend it on government bonds; that, in his experience, he had sold wheat for foreign gold when he could not sell government bonds.

Thus was made clear the fact that principal food necessaries susceptible of safe storage, are more liquid than the most stable of securities. The inexorable need of food gives it a market which stocks and bonds do not possess.

Before the question of government owned and government operated storage for soil products was even thought to be possible, the advantages of state-controlled storage, operated by individuals, was recognized by a galaxy of men whose ability in vital and fundamental service in this and in other respects to Chicago in its infancy, has placed the city under everlasting obligations to them.

In 1823 Chicago had a population of 65 or 70. Twenty-five years later it had a Board of Trade, and 22 years still later, it had state-controlled public elevators. Thus, not only were the people of Illinois benefited, but those of the entire Mississippi river and Missouri river valleys tributary to it likewise were given equal facilities at its great and growing market place—Chicago.

Illinois Leads the Way

The present Constitution of the state of Illinois was adopted by vote of the people in 1870. The thirteenth article of the constitution is as follows:

> Warehouses. Sec. 1. All elevators or storehouses where grain or other property is stored for a compensation, whether the property stored be kept separate or not, are declared to be public warehouses.
>
> Sec. 2. The owner, lessee, or manager of each and every public warehouse situated in any town or city of not less than 100,000 inhabitants, shall make weekly statements under oath, before some officer to be designated by law, and keep the same posted in some conspicuous place, in the office of such warehouse, and shall also file a copy for public examination in such place as shall be designated by law, which statement shall correctly set forth the amount and grade of each and every kind of grain in such warehouse, together with such other property as may be stored therein, and what warehouse receipts have been issued, and are, at the time of making such statement outstanding therefor; and shall, on the copy posted in the warehouse, note daily such changes as may be made in the quantity and grade of grain in such warehouse; and the different grades of grain shipped in separate lots shall not be mixed with inferior or superior grades without the consent of the owner or consignee thereof.
>
> Sec. 3. The owners of property stored in any warehouse, or holder of a receipt for the same, shall always be at liberty to examine such property stored, and all the books and records of the warehouse in regard to such property.
>
> Sec. 4. All railroad companies and other common carriers on railroads shall weigh or measure grain at points where it is shipped, and receipt for the full amount, and shall be responsible for the delivery of such amount to the owner or consignee thereof, at the place of destination.
>
> Sec. 5. All railroad companies receiving and transporting grain in bulk or otherwise shall deliver the same to any consignee thereof, or any elevator, or public warehouse to which it may be consigned, provided such consignee or the elevator or public warehouse can be reached by any track owned, leased or used, or which can be used, by such railroad companies; and all railroad companies shall permit

> connections to be made with their tracks, so that any such consignee, and any public warehouse, coal bank or coal yard, may be reached by the cars on said railroad.
>
> Sec. 6. It shall be the duty of the General Assembly to pass all necessary laws to prevent the issue of false and fraudulent warehouse receipts, and to give full effect to this article of the Constitution, which shall be liberally construed so as to protect producers and shippers. And the enumeration of the remedies herein named shall not be construed to deny to the General Assembly the power to prescribe by law such other and further remedies as may be found expedient, or to deprive any person of existing common law remedies.
>
> Sec. 7. The General Assembly shall pass laws for the inspection of grain, for the protection of producers, shippers and receivers of grain and produce.

The general assembly in obedience to this mandate of the people in 1871 enacted—"An act to regulate public warehouses and the warehousing and inspection of grain, and to give effect to Article XIII of the Constitution of this State"—In force July 1, 1871.

This law divides grain elevators into Classes A, B and C. Class A houses are limited to cities of not less than 100,000. Class B embraces all other houses in which grain is stored in bulk in which grain of different owners is mixed together.

Public warehouses of Class C, embrace all other places where property of any kind is stored for a consideration.

Arranging For Grain Inspection

The law provides that public warehousemen must advertise their rates of storage during first week of January, and that such rates so advertised may not be increased during the year. Under the provisions of the law such storage must be licensed by the State Public Utilities Commission of Illinois. They must also file a bond with the commission to be approved by it in a penal sum to be fixed by the commission. The law forbids discrimination and provides for the mixing of grain of the same grade, unless a special bin is arranged for by the owner of the grain.

The same law in obedience to the same mandate provides for a state grain inspection department.

Section 14 of the law provides that it shall be the duty of the governor to appoint, by and with the advice of the senate, a chief inspector of grain for the state. The said chief inspector shall have the power to appoint, upon the approval of the utilities commission, such suitable persons in sufficient number to act as deputy inspectors as may be necessary to properly carry on the business of the department.

The law also provides for the appointment of a warehouse registrar for the purpose of registering receipts issued by public elevators and concelling them when presented for cancellation preparatory to withdrawal of the grain from store; also, keeping a record of the same, thus officially showing the quantity in store.

Numerous minor yet important conditions are named in the law and in a supplemental "Act" in regard to warehouse receipts, in force July 1, 1907.

This law, enacted nearly 45 years ago and in force during all of this time, placed the state of Illinois far in the lead of every other state. It has been substantially copied in some respects by other states, but none of them has laws so far reaching and complete. A portion of it, that part relating to common carriers, was the substance of an interstate commerce act. When that law was enacted by Congress, this law had been in use more than 20 years and had passed the experimental stage. It was argued that what had proven good for the commonwealth of Illinois, would likewise be good for the nation.

Public storage under this act has ranged in total capacity in the city of Chicago up to approximately 50,000,000 bushels. It is and from the first has been open to the public impartially and the proprietors under the law, as a matter of sound public policy, as construed by the Illinois supreme court, may not store their own grain in mixture with that of the public. Its maximum efficiency was, when the farmers were less able financially than now to hold their grain. They then sold freely immediately it could be delivered. At that time, prior to a decade and a half ago, the 50 millions capacity was, at times, scarcely enough. Now with twice the production in the territory tributary to this market, 14 millions answers the requirements reasonably well. This is in obedience to a prime order of nature, i. e. a movement along the lines of least resistance.

At rates of storage in effect now and for some years past, the total yearly charge, should any grain remain in storage continuously for the year, amounts to 12½ cents per bushel. Twenty years ago when rates were higher it amounted to 18 cents per bushel. Against this, on the farm the storage charge is nil. Crib and other farm storage costs little, if the life of the storage be considered and it is worth nothing while empty. Thus, the farmer has the advantage to the extent of this storage cost. Those to whom he sells in central markets can not escape the public elevator charge in holding surplus grain.

What State-Licensed System Has Done

The advantages of a state-licensed warehouse system to the great public of that section of our fertile Mississippi valley tributary to Chicago have long been demonstrated. It has served a large and general purpose; it has enabled the public to store grain safely in the care of a licensed and bonded custodian. It has facilitated the accumulating of round lots for lake shipments. It has provided means of doing this during months of closed lake transportation to gain the benefits of lower water rates. It has also served those who have desired to place their grain where it could be utilized as highly acceptable collateral to bank loans. As against government owned storage it has saved the people from paternalism in government, preserving individual initiative thereby fostering the creative in men and likewise tending to exclude dependence, thus preserving self-respect. True helpfulness resides in helping others to help themselves and not in paternalistic or gratuitous assistance.

State-licensed elevators have retained the benefits of competition in fixing their charges, storage being a commodity. At the same time they have protected the public against the exactions of unfair rates besides possible loss of the property, through utilizing privately owned and operated storage.

THE FARMERS' ELEVATOR MOVEMENT IN THE UNITED STATES

H. W. Danforth

President, The National Council of Farmers' Coöperative Association

Today the farmer finds himself in the unique position of paying exorbitant retail prices for everything he buys, and receiving wholesale prices for everything he sells; of selling his products in a market open to the competition of the world and buying what he needs in a market protected against outside competition. When land was cheap and the soil rich in plant food, farming was a simple process requiring fortitude, solitude, privation and hard manual labor. They were generally very poor and unable to finance their own farm operations, let alone the marketing end of them. The farmer paid little attention to governmental matters.

For over a century the United States government has fostered, nursed, and granted special privileges to manufacturing interests with practically no concessions to the agricultural interests of the country. Conditions in this day and age seem to suggest that fighting is essential to preservation of one's own, and yet if one loses in the struggle, he may be worse off than if he had passively submitted to the demands of the stronger. When people are doing well enough, that is when they are not conscious of unjust exactions, and are making ends meet, they are not likely to be greatly concerned about the other elements of society who are reaping profits by means of legislative favors. In the present state of society, and educated as it has been for so long a time, to believe that bounties and taxation for the profit of a class is beneficial to the whole of society, it will be necessary to organize and to educate ourselves for protection against the rapacity of the organized interests that at present dictate and profit by legislation.

That the farmer has lagged behind in the great industrial warfare, is undisputed. This is due in great part to the nature of his business. He is a great individualist and has had little opportunity or time to study the complicated economic problems involved in marketing.

Had it not been possible for the farmers to move west and take up new land when he had worn out and depleted the fertility of the old farm, he would have long ago succumbed to the inevitable, but now that the tide of emigration has reached the Pacific ocean, and he can not leave the worn out farm and move on to virgin land, he has discovered that he must now turn back and build up the old farm. He finds that it is no longer easy to make them yield a living equal to the needs of intelligent families. Over such a community general discouragement has begun to brood. For several years we have seen a movement towards the city. Statistics show that the urban population is increasing much faster than the rural population, and the last census shows less than 50 per cent of the people of the United States are living on the farms. The old people who cannot get away, settled down to end their days, as economically as possible, on their savings.

In recent years, through the excellent work of the state universities and the United States department of agriculture, the farmer is fast becoming an efficient producer. At the same time he realizes that to produce fine crops and let gamblers and speculators fix the price and get all the profits, is certain in the end to bring upon him crushing defeat.

Marketing a Great and Serious Problem

One of the great problems that the farmer finds it necessary to meet today has to do with the marketing of his crops. About the year 1888 or 1889, the farmer first began to realize that he was being robbed of his just profits through the exactions of the grain trust, the lumber trust, the coal trust and other combinations with which he had to transact business. Several of the large terminal elevators operating throughout the grain belt had purchased practically all the country elevators, and had organized one of the greatest monopolies in existence. The prices to be paid for grain were determined at headquarters and telegraphed to each of the small country elevators. The prices so fixed varied any where from 5 to 10 cents less than the grain was actually worth.

It was this condition that prompted about 100 farmers in the little town of Rockwell, Iowa, in March, 1889, to meet and discuss their troubles. The result of this meeting was to organize a company and raise sufficient money to purchase or erect their own elevator. This was soon accomplished and the company began business. Following the example of the Rockwell company, a number of new coöperative companies sprang up over the state until in 1904, fifteen years later, there were about 30 of them in Iowa. Likewise about 20 companies had been organized in Illinois. Every one of these companies met with strong and determined opposition, not only from the grain trust, but the lumber trust, the coal trust, the railroads, and every other combination with which they came in contact.

That these line elevators were certainly violating the anti-discrimination statute is evidenced by the following fact. At Hagar, a competitive point, wheat was quoted at 92 cents, corn 52, oats 35; at Stratton, 15 miles east of Hagar, where there was no farmers' elevator, wheat was quoted at 87, corn 45, oats 31; at Foster, 15 miles north, at which point there was no farmers' elevator, wheat was quoted at 87, corn 47, oats 32.

The Old Line houses, finding that they were losing trade and money, resorted to every device and scheme possible to put the farmers' companies out of business. They even succeeded in getting the railroad companies to refuse sites for the elevators on their rights of way. This was in the days of rebates, which was a great hindrance to the farmers until the passage of the Hepburn bill in 1906. The passage of this bill was a Godsend to the farmers' elevator movement.

Boycotting the Farmers

The greatest opposition with which the farmers' elevator movement had to contend, was when the line elevators in about 1904, advised the commission firms of the various terminal markets, that if they continued to sell grain shipments consigned from Farmers' elevators, they would be boycotted by the line and private elevators.

This practically closed the markets, against all grain coming from farmers' companies. This condition was finally relieved when 2 commission firms, realizing the injustice being done to the coöperative companies, decided to receive their shipments and defy the grain trust. The fight, however, continued fast and furious. About the year 1902 or 1903 there were some 25 coöperative elevator companies in Illinois. Realizing that they were at a great disadvantage, for lack of united effort, a representative from each of these companies held a meeting at Springfield, Illinois, which resulted in the organization of the Farmers' Grain Dealers' Association of Illinois. They elected officers, employed a secretary, adopted a constitution and by-laws, and entered the fight in earnest. About a year following this, the same thing was done in Iowa, and the state association of Iowa was born. Since then state associations have been organized in Kansas, Nebraska, North and South Dakota and Minnesota. At the present time there are in Illinois, 305 Farmers' Elevator Companies; in Iowa, 394; Minnesota, 345; South Dakota, 435; Kansas, 242 and Nebraska, 271. The total membership in these 7 states is approximately 275,000 to 300,000 farmers.

Many farmers' elevator companies have been organized in Michigan, Montana, Washington, Ohio, Oklahoma, Wisconsin, Missouri, Indiana and Texas; in all about 347 companies. These last named states, however, have not as yet organized state associations.

About 3 years ago these state associations, realizing the advantage of a larger coöperation, each sent 2 delegates to a convention which organized itself into what is now known as The National Council of Farmers' Coöperative Associations. This national council is financed by contributions from the several state associations.

Turning Joint Stock Companies into Coöperative Societies

Through a lack of proper coöperative organization laws it was necessary for practically all of the local elevator companies to organize under the regular incorporation laws of the several states, which makes them joint-stock companies, and not strictly coöperative. However, the majority of the companies through provisions in their by-laws and mutual agreement between the stockholders, are adhering as nearly to the coöperative plan as is possible.

Realizing the necessity of organizing on a strictly coöperative plan, campaigns were started in the several States to secure the enactment of coöperative organization laws. After subduing the determined opposition of the politicians and other interests, practically all of the states now have such laws.

In Illinois there is a constitutional provision which provides that the owner of stock in the corporation should be entitled to one vote for each share of stock held. This provision has prevented the enactment of a strictly coöperative law in Illinois. At the last session of the legislature however, we succeeded in securing the enactment of a law which to a certain degree got around this provision by limiting the amount of stock to be held by any one man to 5 shares.

Most of the farmers coöperative elevator companies have a membership of from 75 to 300 stockholders, and they are generally capitalized each at from $5,000 to $20,000. The shares of stock are usually in small amounts of from $25 to $50. While most of them were originally organized for the purpose of handling grain, many of them are now selling coal, lumber, tile and drilling material as a side line.

It is of course impossible to estimate exactly the financial gain that has accrued to the farmer. Illinois raises on an average 500,000,000 bushels of grain each year and probably sells about 300,000,000 bushels.

The statement was made some time ago by the secretary of the Farmers' Grain Dealers' Association of Iowa, that their coöperative companies handled about 115,500,000 bushels per year. Conservative men estimate that this movement has been a means of raising the price of grain at least 3 cents a bushel—that is, the farmer is receiving 3 cents a bushel more for his grain than he would have received if there had been no coöperative elevator companies in these states.

In addition to this saving, large amounts are saved by the farmers' companies each year through the handling of sidelines, such as coal, lumber, etc.

In addition to the profits before mentioned, we find better general conditions in many ways. There is constantly growing a closer business relationship between the farmers and between the farmers and the consumers.

A Power in Passing Needed Laws

I am convinced that coöperation among the farmers has come to stay and no power on earth can stop the development of the farmers in all lines of industrial and commercial activities. Since the organization of our national council, many big questions have been met and solved. Through the activities of our association needed laws have been enacted and the enactment of vicious laws prevented. The farmers' coöperative elevator companies have long demanded the standardization of grades for all grain, and federal inspection of same. About a year ago corn grades were adopted and standardized by the United States government, and they have worked a remarkable change in the handling of this commodity. Any manager of a farmers' elevator company can easily place a sample of corn in its right grade with the assurance that if he has done his work carefully, it will correspond with the grading by the inspectors at the terminal point.

Improving Quality of Grades

The new system of grading has also had the effect of fixing a different price for different grades so that now the farmers who can deliver corn that will grade No. 2, will receive from 1 cent to 1½ cents more than the man who delivers No. 3, and likewise No. 3 grade will bring more than the No. 4, and so on down the line with the different grades. This has resulted in the elimination of a great economic waste. Under the old system of grading, practically all farmers harvested their corn early, with the idea of having it contain as much moisture as possible. This of course made it a little heavier, and by marketing it early, they had the erroneous idea that they were receiving corn prices for the surplus water. This of course was not the case. In almost every instance, it is necessary for the millers and other industies making use of it, to put the corn through driers and remove the excessive moisture. As you can readily see this caused a large economic waste. It caused a large waste in other ways. Much of the grain that contained excessive moisture would heat in transit and go out of condition. This loss undoubtedly was charged back to the farmer.

While I am on this subject, I want to say that it is my judgment that this question of waste, running all through the production and distribution of farm products to the consumer, is a very large factor in contributing to the high cost of living. Through lack of efficient management, lack of proper care in the selection of seeds, insect injuries, etc. causes a large waste. This fact is well evidenced by the work of an organization of 475 farmers in my home county, known as the Tazewell County Farm Bureau. This bureau employs a county agent at a salary of $4,000 per year. You are all no doubt familiar with his duties. Last spring he started a campaign to prevent the loss in oat yields resulting from smut. Many of the farm bureau members were instructed in treating their seed oats with what is known as the formaldehyde treatment. When the oats were sown, small check plots were left. The famers kept complete records which were afterwards collected by the county agent. These returns made by the farmers themselves, showed that the increased field of oats directly attributed to the elimination of smut resulted in a saving of $36,000 for that one year.

This is a splendid example of what coöperation among the farmers has accomplished in the elimination of waste in production.

An Experiment In Farm Management

Through this farm bureau, 63 farms in Tazewell county were surveyed to determine the factors that fix profits in farm management. Four experts from the department of agriculture assisted these 63 farmers in keeping accounts covering the year's operation, so as accurately to get at the exact facts. A significant analysis of all these records for the year ending Nov. 1, 1914, showed that there are great differences between the incomes on the farms investigated.

The average labor income on the 63 farms was minus $94. In other words, after deducting from the gross income from all sources, the actual operating expenses and interest at 5 per cent on the actual investment, the average farmer lacked $94 of receiving anything for his own labor. The average of 9 of the better paying farms however, showed a labor income of $1,197.

The factors that determined these differences are many. For instance, as an average of the 63 farms, the livestock receipts for every $100 worth of feed averaged only $90, while the average for the 9 better paying farms, the livestock receipts for every $100 worth of feed, was $144. My time is too short to go into detail, but suffice it to say that this survey shows conclusively that under the present system of farming, there is a large waste in production, and that if this waste is to be eliminated and farming made to pay, better methods must be adopted. This I believe can only be brought about through coöperation, and it is my firm belief that the farmers' elevator movement is teaching the farmer how to coöperate, and its advantages.

Losses in Transportation That are Useless

After the grain leaves the country elevator, we find a very large waste resulting from inefficient and careless practices of the railroads. A very large per cent of the cars used in transporting grain are unfit for the purpose, resulting in the loss of many bushels of corn through leaks in the cars. While it is true, many of these claims for leakage in transit are ultimately paid by the railroad companies, the loss must be collected from either the consumer or the producer in increased rates.

It seems that the railroad companies in the past, or at least up to the time of the establishment of the inter-state commission, have found it much easier to advance the freight rates rather than increase their net profits through efficiency. The railroads have been endeavoring to establish a principle that they must have the fostering care of the public, even at the expense of agriculture, as was evidenced in their last attempt to advance the freight rates on grain 5 per cent. Through the efforts of the National Council of Farmers' Coöperative Associations covering a period of about 6 months, the advance was denied. This victory alone saved to the farmers of Illinois approximately 1½ million dollars a year. The attitude of members of our association is, that if the railroad companies need a different revenue as badly as indicated in their petition for the advance, we hope that they will try coöperation, and cut out the enormous leaks which have been very clearly pointed out to them in a recent decision of the Inter-State Commerce Commission.

Another large waste is caused by the multiplicity of middle men and unnecessary and uneconomic expenses incurred by them.

I do not want to be understood as saying that the middle man is not a necessity, but under our present system of marketing, and the ruinous competition, many more men are employed than are necessary and cause a large breach in the price received by the producer and the price paid by the consumer. The consumer is guilty of contributing to this waste. He requires that everything be delivered at his door in expensive packages, and because of competitive conditions, we often see 4 or 5 grocery wagons from as many different stores, crossing and recrossing the same territory.

The farmers' coöperative movement is undoubtedly making much progress towards the elimination of waste in production and marketing; still, before the desired goal can be reached, it is necessary that the consumer must coöperate with the producer.

Prosecuting Educational Work

While the farmers have accomplished much through their coöperative elevator organization, they still have much to do. A constant educational campaign is being carried on through the different agencies. We own and publish *The American Coöpera-*

tive Journal, a publication devoted to the interests of the farmers' coöperative elevator movement. The stock in this journal is owned by the farmers. In many cases the local elevator companies subscribe for the journal for each of their stockholders. We hope some day that every farmers' elevator will be organized and operated strictly on the coöperative plan. We have a legislative committee that is constantly on the watch. We have learned from experience that when legislation is wanted by the big interests, nothing is left to chance. They have pickets continuously on guard, and send their ablest and highest paid men to get what they want. If we would protect our interests we should learn that money must be raised; and the ablest men connected with the farmers' elevator movement, men of the highest character and standing must be kept in attendance upon the legislature and Congress.

So far, coöperative organization among farmers, has gained for them a greater degree of freedom and made for progress in many ways. But the American farmer is slow to adjust himself to new conditions. Lack of experience and a lack of the real coöperative spirit, and a disinclination to study seriously the problems presented, have been big factors in retarding coöperative organization.

When we have fully acquired the real coöperative spirit we will produce better crops, build better and more storage facilities on the farm instead of trusting this to the speculators and gamblers in the large primary markets, adopt better methods of harvesting our crops, build better roads, supply ourselves with a better credit and marketing system.

GRAIN, STORAGE, FARM-COUNTRY ELEVATOR, TERMINAL WAREHOUSE

G. W. Lawrence
Secretary, Farmers' Grain Dealers' Association of Kansas

From the producers standpoint we ought to store the grain where it will tend to "Bull the Market." From the consumers standpoint we ought to store where it will tend to "Bear the Market". From the speculators standpoint the grain ought to be stored where they can get the most complete knowledge of the supply, and enable them to best manipulate the market. From the millers' standpoint it ought to be stored where they can cheaply and easily secure their supply. So it will not be strange in discussing this question, if our ideas may differ. But to arrive at a conclusion that is most beneficial to all concerned, I know of no better way than a comparison of ideas or a discussion of the question. First, I desire to express a negative proposition and that is our local coöperative elevator companies are not the proper ones to store grain. We are not organized for that purpose. We have not that in mind when we employ managers, and very few of our managers are properly versed in the handling of options, nor have they time to devote to that line of thought nor the facilities to successfully conduct this line of business; neither are our companies organized with sufficient capital. If the producers desire to handle the storage business on the coöperative plan, let them form organizations for that purpose.

At the present time I believe that the most satisfactory place to store the larger part of the *surplus grain* is on the *farm,* and by the farmers. By so doing the farmer can market the grain at less expense, doing at least a part of it at the time of the year that work is not so pressing, and in many cases doing it with his own equipment and thereby not feeling the expense. There are exceptions to the above where a farmer is located so near market that he can dump his wheat in the elevator or when he is threshing it at a time when he thinks the demand and the price is above the average for the year, or when the need for money is so great that it is a necessity to sacrifice time or grain to raise it. (A condition that we hope to see remedied by our rural credit system.) But our idea is that if we can hold the surplus of grain on the farm until needed, we will equalize the supply to the demand, thus establishing a more uniform and staple price for the crop. Frequently we will save a back haul in freight, save our elevators from the strain that we so often put upon them to care for our grain while we are forcing it on the market, relieve the situation frequently when we have a scarcity of cars, save at least one commission and the added expense of storage at terminal points.

I do not wish to convey the idea that I am opposed to terminal elevators, because I am not, and as every one must admit, they are a necessity to the satisfactory handling of the food products of our land, but I do think we have been forcing our grain on the terminal elevators too much to get the best results to either the producer, the shipper of the consumer.

RAILROAD PROBLEMS VIEWED BY THE PRODUCERS

W. J. Ray

Secretary, Farmers' Grain Dealers' Association of Iowa

I will ask you to picture the present development of the United States in its relation to agricultural production and distribution, to the manufacturing and mining industries, to the livestock industry and to the many other resources possessed by our country which give employment and homes to millions. What if there had been no great networks of railways threading the country to form the arteries of distribution? Would development have been possible– Undoubtedly the answer is, "No." Therefore some people are inclined to feel that the railroads are the great benefactors of the people. Of course the railroads have given service; but in every case the public has paid and paid a full price. So the matter reduces itself to a question of fairness of rate for service rendered.

The general public wants to know: Have freight rates and passenger fares of the past been adequate and sufficient for the railroads to meet maintenance expenses, to pay interest on all bonds and other indebtedness, to afford a reasonable rate to the investor, and to provide for development? The railroads have said that their revenues were not sufficient and in the past few years have asked for numerous increases in freight rates. The most important of these have been the eastern 5 per cent scale and the western general increase. Some 41 roads participated in the request for increased freight rates in the western territory. Nearly as many joined in the eastern 5 per cent request. The territory covered by the proposed freight rate increase included the principal shipping sections of the United States and embraced the major part of the nation's shipping tonnage.

Practically all shippers and state railroad commissions proposed the freight rate increases. They asked the Interstate Commerce Commission for suspensions and investigations. The suspensions were granted, the investigations were made and hearings were held by the Interstate Commerce Commission. The result was that freight rate increases were allowed as per request on about 50 per cent of the tonnage under the eastern 5 per cent case, after a second hearing. The disastrous effects of the European war apparently had its influence upon this case.

The greater portion of the proposed freight rate increases for the western territory were denied by the commission. The classes of tonnage of a special interest to the agricultural population involved in this case, embraced grain products and livestock products. I shall now confine my arguments principally to grain production and shipments as I am more closely in touch with this product.

Now, I believe that every type of occupation should derive a sufficient revenue from its operations to compensate it for the service it rendered the public. Upon that proposition I will call your attention to the following facts:

The Interstate Commerce Commission in drafting their decision in the western case makes the following statement:

> ''These railroads cannot exist unless rates are established which will yield a fair return upon their property. We must, therefore, in fixing these rates, have regard not altogether to any particular railroad but to the whole situation, and must consider the effect of whatever order we may make upon all these defendants.''

This statement is very clear in my mind of a fixed method of equity and legal adjustment of a disputed request. The railroads, in their plea for higher rates, cite us to the weaklings among their number and show that they are unable to meet their interest demands, to pay dividends, and that some are virtually insolvent, some are on the verge of being in bankruptcy; some are in the hands of receivers, while the majority are a great financial success.

Why Railroads Become Bankrupt

The weakened condition financially of the bankrupt or receivership roads comes from a variety of causes and has been proven from investigations seldom if ever to come from insufficient revenue charges or lack of tonnage tendered them for shipment or passenger traffic. If you have followed investigations of the New York and New Haven Ry. by the government, also of the great Rock Island system, I believe you have satisfied yourselves that the financial depressions and downfalls of such roads come very largely from mismanagement, high finance manipulation by officers in authority at some period of time in the floating of bonds or other methods of watering stock. Hon. J. D. Hashagan, makes this statement that 25 per cent of the mileage in the western classification territory is in receivers' hands. Some of it due to financial juggling and trickery; some to down right mismanagement, and some to other causes. If this be true, it is a deplorable situation. But must the shippers of this country and the public, be called upon to pay a high rate of revenue in order to place these poorly managed roads under the present condition, upon a sound basis and, thereby, grant premium securities to the prosperous roads? Railroads are not in a singular class of depleted business and failure. We find them in all lines of business and industry, among manufacture, mining interests, fruit growers, farmers and agriculturists, bankers, merchants, shippers and many other- vocations. It is said, from undisputed facts that there are at present 82 railroad companiess, with a mileage of 41,988 and a capitalization of $2,264,000,000 in the hands of receivers; in 1894, June 30, there were 192 roads in the hands of receivers that had a mileage of 40,818, and a capitalization of a little more than 2 billion dollars. Considering the mileage and capitalization of all the railroads in 1894, and comparing that mileage and capitalization with the mileage and capitalization now, 1894 was a worse time than now. The railroads, in petitioning for increased rates and fares, merely took advantage of an opportune time to force their point in making their application based upon a lean year in railroad traffic and transportation of tonnage and passenger traffic and of war conditions. Yet the evidence and data produced by shippers and protestants, experts and expert accountants from records of railroads, seemed to prove clearly to the commission that the major portion of the increased rates as proposed were not warranted.

The commission states in the report of the western case that the carriers base their claims to additional revenue upon the grounds of their financial needs and the downward tendency of their net earnings in this western region and contend that commodities singled out by them to bear the proposed increases are not now carrying their equitable part of the cost of transportation.

Farmers Contest Railroad Statements of Earnings

Both of the contentions are traversed by the protestants, comprising the state commissions of a number of states primarily affected and individual hsippers. Generally speaking, the protestants contend that the financial condition of the carriers does not warrant the proposed increase in revenue; that the last fiscal year was abnormal both in regard to transportation and to other branches of industry; and that in recent years the carriers in large measure have built up their properties to a higher standard out of operating revenues, and have thereby produced a showing which in so far as it is unfavorable is in great measure illusory. In general, it cannot be said that the protestants have alleged that conservation of the carriers' revenues can be effected by the practice of more rigid and appropriate economies, but rather that the carriers have realized and are realizing the benefit of adequate revenue; that their real net revenues have been masked by new methods of accounting; that charging against income what is asserted to be a proper charge to capital and the practice in the past of conferring valuable concessions upon shareholders of railroads have resulted in an understatement of the real earnings of the carriers. Statistics and exhibits were presented in the western rate case hearing of some lines of industry to prove that the net revenue on investment, service, etc., of the railroads were greater than on some other lines of business upon which increased rates were asked. For instance, testimony was given from government records that farmers' net revenue was less than 4 per cent. Other expert testimony showed like results and even a lower net revenue to the farmer or producer of grain and livestock, upon which the heaviest portion of freight rate increase was proposed and of which the commission denied an increase. It was further proved that the farmer pays the freight. In other words, all freight charges being deducted by the shipper from the purchase price of his grain and livestock, any increase in rates would depreciate the value of his products on a relative basis. Likewise if an increase on grain were permitted, it would have a like influence on the value of grain.

Railroads Net More Than Farmers

We people of the grain belt under western trunk line territory, with data, figured on a relative basis as to railroads and producers of the great bulk of the food products of the country. We found that the net revenue of the roads is nearly twice as great as that of the producers. We feel justified, therefore, in protesting the proposed freight rate increase.

The freight on an 89 M car, loaded with coarse grain to maximum capacity, shipped from central Iowa to Chicago, under the present rate, equals in freight charges $105.60. Seventy such cars in one train, which is not above an average train of loaded cars, equals $7,392.00, gross revenue.

In the report of the Interstate Commerce Commission in the eastern case we find the following statment:

> "The records show that there are many unremunerative rates and unremunerative practices now in effect throughout the official classification territory; that a very substantial amount of service is performed without any charge whatever, and that undue burdens are cast upon the carriers through various influences. We have had in this proceeding an opportunity to learn also to what extent and with what effect on their revenues abuses exist among the railroads because of the treatment of one by the other in competing for traffic. The abandonment of unremunerative and wasteful practices involves among other things the elimination of the free services and excessively low rates which represent in very many instances, the price a carrier pays for the large tonnage of influential shippers and result in making the carrier bear the geographic disadvantages of individual shippers and expenses properly a part of their manufacturing cost. The elimination of the preferences created by these means would give to the carriers very largely increased earnings and at the same time properly distribute the necessary

> burdens of transportation, so that those who get the service shall pay for it.
>
> "But following the suggestions made in the original report, the carriers could undoubtedly secure more additional net income than the amount estimated to accrue under the proposed horizontal rate increase, and far more than can accrue to them under the relief now accorded in the supplemental report."

In following closely the investigations made by the Interstate Commrce Commission, and the governemnt, of the freight rates and the many phases of control, management and manipulation of the financial affairs of railroads, by such railroad companies, I am fully satisfied that railroads in dire need of assistance are usually responsible for their depression in some manner due to their negligence, rather than to lack of adequate revenue.

If the farmer meets financial loss or suffers a lean year, which a great many in the corn belt will experience this year, he must suffer the loss, he has no recourse upon others. Thus it is with the manufacturer, the merchant, exporter, shipper and various other lines of business. No doubt some systems of railroads will of necessity be thrown into receivership, be re-organized, and, thereafter managed on a thoroughly conservative and legitimate basis, become a prosperous railroad system to the credit of its stock holders. Even though some of them have suffered a loss by mistakes of others.

What One Railroad Earned

Allow me to cite you to a late annual report of the Baltimore and Ohio railway which I believe to be a normal and average railroad system. The report shows that the equipment of the company on June 30th, 1915, consisted of 2,399 locomotives; 1,261 passenger cars; 86,097 freight cars; 3,163 work cars; and 144 pieces of floating equipment. The total railway operating revenues were $91,815,797.34, a decrease of $7,348,212.63, or 7.41 per cent.

The total railway operating expenses were $63,925,507.74, a decrease of $10,477,880.78 or 14.08 per cent.

The ratio of operating expenses to total revenues was 69.62 per cent, compared with 75.03 per cent, for the previous year.

The net revenue from railway operations was $27,890,289.60, an increase of $3,129,668.15, or 12.64 per cent. The gross income from the year's operation was sufficient to enable the company to meet its fixed and other charges, to pay the established 4 per cent dividend on the preferred stock and 5 per cent on the common stock and leave a surplus of $771,473.86.

That is certainly an excellent showing, and would indicate that a more careful and conservative method of management had been maintained than previous years, adding very materially to the net revenue, results.

General reports of numerous railroads the past few months, as submitted show about such results as the above statement. Let us hope that freight rates may soon become a settled situation, without an undue tax being placed upon the shipping public, and yet that such rates may be sufficient and remunerative to the railroad systems of this country. The present development and commercialism of this great country could not exist without railroads.

The question of control, etc., enters into the subject. Railroads were left alone so long without the public interfering in any manner with their operations and regulations, that they seemed to think the people of the country had no more right to ask for their legitimate rights and protection against the manipulation of railroad operations than the public would have to a man's private property. Yet they were corporations serving the general public and dependent upon the public for their existence.

We find, however, after many years of quietude in railroad operations and progress, covering a period of time when many gifts, as contributions from municipal town, county, state and federal governments, in money and lands and bonds, etc., were bestowed upon railroads as an incentive for further development of railroad systems through the country, it became apparent that, through their management and operations, undue advantages were being practiced in some measure against the public.

Investigations and regulations of railroad traffic and operations were begun by states and state commissions. Practices of discrimination and rebating were found to prevail between different kinds of traffic, sometimes between different communities and individuals at the same place of business. Agitation grew to a point of serious need, resulting in the passage by Congress in 1887 of the act to regulate commerce, which carried its first amendment in 1889, then again in 1902, known as the Elkins Act, then the Hepburn Act of 1906, which greatly strengthened the commission's authority and increased its membership. Some minor changes took place in 1910.

What Is Its Remedy?

A member of the Commission makes this statement —that, "every step has been taken as based upon experience, gathered by investigation, upon disclosures, and, we may say, attempts to to regulate with safety and justice."

I personally do not advocate government ownership of railroads. I doubt very much the practicability and feasibility of such a proposition. There no doubt would arise insurmountable difficulties when we get into politics with the management of railroads and the government placing millions of men as employes, operating the 250,000 miles of railroads in this country. It appeals to me that regulation of tariffs, freight and passenger rates and overcapitalization by the Interstate Commerce Commission, or some such body as Congress delegates for that purpose, to be a much more practical method.

I believe that the physical valuation of railroads should be established, and that procedure is now in progress interstate.

I could only add in my opinion—railroads will always need government regulation of their operation, practices and tariff charges upon the public. It is human error to place an undue or over-tax against the other fellow for personal gain.

It further appeals to me very forcibly that the public must use care and precaution to prevent a law being passed of federal judiciary action, whereby claims and grievances with railroads by the shippers can and will be carried by such corporations to Washington, D. C., which would entail more expense to the shipper than the payment of such claims or damages would amount to to the shipper or complainant.

BANKS—THE CREDIT AND CAPITAL OF COÖPERATIVES

H. J. Farmer

Secretary, The Farmers' Grain Dealers' Association of Minnesota

When we started our little elevator at Airlie we were not particularly robbed. We got the sacks back. The conditions were such that we have decided to go into the elevator business for ourselves. I was elected the secretary.

At the first meeting there were half a dozen men representing commission houses in Minneapolis present; and they all offered to finance us for 6 per cent and lend us all the money we wanted if we would sell every bushel we had to them. We did not take them up; instead we put our funds in a local bank on a system of daily balances. We made very satisfactory arrangements with the bank and the authorities have allowed us to draw on them almighty hard at times.

Out in Airlie we do not take our hats off the way we used to do in New York State when we went into the bank. We call the bankers by name. So one day while I was in our bank, Ed David, the president, said: "The bank examiner was down here the other day and he said those 3 notes from your Airlie Elevator that the directors have given—Aren't they the same Airlie Elevator notes?" "Just the same," I answered. He said: "You have got 2 or 3 of them." In the meantime before we had those $15,000 of director notes the company had borrowed right up to all that their charter had allowed them. It is a pretty tight fix, but I said:

"Ed, look here; you know almighty well if you ever had any gilt edge security in your bank those notes are it. There are 9 men on their security and only 1 of them is not responsible and you do not need to tell me who he is." That was so, yet there was that little bank examiner kicking on 3 little gilt edge notes that any one man acting as a security could have paid in a pinch. But if the chairman was as well fixed as he is, and if he had been down there and overdrawn his account $400.00 no matter how gilt edge he might be, that president would have kicked like everything and would have wanted something fixed right away. But if he had had a note of $5,000 with 9 men on it he would have passed on that note because technically it was just as good as gold; but an overdraft he could not pass. Now that is a technicality in banking that I do not like. Any of you who have had anything to do with the banking business know that it is put over lots of times and that the bank examiner passes paper that is not worth the paper the notes are written on.

I believe in the bank. I believe that the bank is the friend of the farmer. Out our way the bank certainly has been, but there are many things that have got to be adjusted before the bank becomes the working instrument that it could become for the development of the community.

SOME DIFFICULTIES OF A STATE TERMINAL ELEVATOR SYSTEM

James E. Boyle

Professor of Economics and Political Science, University of North Dakota, Grand Forks

This is a peculiarly difficult question to discuss, owing to the place it occupies in the minds of our farmers. The farmers want state terminal elevators, and will very likely get them, not because the matter has been studied by them carefully and the evidence sifted. Their doctrine of state ownership in this field has become a "state of mind" with them, rather than a doctrine. Indeed, in some sections it has become a religion. Thus the Canadian farmers in their famous siege of Ottawa in 1910, when presenting their case to Premier Laurier, spoke of the "mystery" and "secrecy" of the existing terminal activities, of the "distrust" and "suspicion" which attached to these activities, and of restoring a "feeling of trust and confidence in the minds of the western farmers" by means of government elevators. Mr. F. W. Green, secretary of the Saskatchewan Grain Growers' Association, expressed the farmers' sentiments at this Ottawa gathering in these words:

> "We have the interior elevator system with all the uncertainty of weight and grade, and the various tricks resorted to regarding car distribution, special binning and shipping; then we have the grain exchanges with the gambling, price-fixing, problem-hedging, future selling, puts and calls, shorts

> and longs, with the bulls and bears. Then the difference of price between Minneapolis and Winnipeg, ranging from 10 to 15 cents a bushel for an inferior sample of wheat. This with their system of grading and sampling all forming part of a complex system more or less mysterious to our farmers, causing a serious state of suspicion and unrest which is an evil in itself, but none of these are responsible for more distrust and want of confidence than the inspection system in connection with our terminal elevators. All these being inseparable, each affected by the other, and, as we think, vitally affecting the quality and price of every bushel of grain in the West. Our views, right or wrong, are the cause of our agitation and action.''

This same religious fervor for state terminal elevators finds expression among the members of the American Society of Equity of the Northwest and among other similar organizations in various sections. This condition exists in spite of the fact that 95 per cent of the grain reaching the terminals has already passed out of the ownership of the farmer, and hence the terminal elevators can only have an indirect effect upon him. This question of state-owned terminal elevators, indeed, seems to be but a part of the growing sentiment in favor of government-owned packing houses, canning factories, government banks, and government railroads. To the farmer no longer is it the simple business proposition of ''What is it going to cost?'' and ''What is it going to accomplish?'' Yet this plain business question seems to me to be the real issue.

Relation of Question to the Grain Trade

When seeking a remedy for any supposed evil in our grain trade we must bear in mind the fact that our grain trade is on the whole on a fiercely competitive basis, conducted on narrow margins, and subject to world market conditions of supply and demand. To the disinterested observer, tracing the wheat and flour prices from farmer to consumer, there are apparent 7 interesting points of contact as follows: (1) local market; (2) terminal market; (3) foreign market; (4) the miller; (5) jobbers, wholesalers, and retailers; (6) bakers; and (7) transportation. Transportation is now conducted under rates supervised or fixed by public authority. The activities of millers, merchants, and bakers are substantially free from public control. The foreign market is beyond our control. That leaves the local elevator and the terminal market. And of these two, the local elevator thus far has escaped with a minimum of regulation, but exactly here, according to the findings of the federal government, occur the biggest leaks between the farmer and the miller. The report of the secretary of agriculture, of October 24, 1914, on the prices of wheat, etc., (63 Cong. 3d Session, House Doc. 1271) traces a bushel of wheat from the Kansas farmer to the Liverpool market. After stating ''that the farmers of Kansas, as a general rule, are obtaining all their wheat is worth,'' the report contains this observation: ''The weakest link in the chain of marketing Kansas wheat is the country elevator. Compared with the value and difficulty of service rendered, the margin taken by the country elevator is perhaps larger than that taken by any other middleman in the marketing of wheat.'' The same report speaks of the terminal market in these words: ''In conspicuous contrast with the country elevator situation is the great efficiency and highly organized method of operation of the terminal grain operators and exporters. In the case of the export trade especially the profits per bushel are extremely low considering the service rendered and the capital and risk involved.''

Tendency to Regulate Terminal System

These terminal activities, it is hardly necessary to add, have been subjected, since the days of the famous case of Munn versus Illinois, to a constantly increasing degree of governmental regulation. Not only the methods but also the charges for the various services are as a general rule regulated by law or administrative order. And now comes the demand from the farmers and to some extent from the millers that we have government ownership and operation of the terminal elevator.

Alleged Evils of Present System of Terminals.

At each important terminal today we find one or more grain warehouses open to the public for storage of grain and known as a ''regular'' terminal elevator or public warehouse. Some of the alleged evils of our present system are attributed solely to this system of private-owned public warehouses. Other evils are related only in part to the terminal elevator, and in part to the inspection system. The gathering chorus of complaint may be said to be directed to the whole united system of terminal activities, and the terminal elevator cannot be entirely dissociated from the rest. Here is a complete catalog of the alleged evils which I find in the various official and unofficial investigations of the terminal problem: inspection, dockage, screenings, shortage of good grades, overage of bad grades, grade manipulation, shipping out more grain or better grain than received, lending out stored wheat, mixing, grain hospitals, too much spread, improper weighing, cleaning not sufficiently supervised, bleaching, storage and insurance rates too high, suction draft applied, competition wanting, monopoly, low prices, accumulation of grain at terminals, warehousemen in dual capacity of custodians and merchants, commissions too high, scouring and bleaching, degrading our grain exports. And we must study state terminal elevators as related to these alleged terminal evils.

To analyze these charges one by one would take too much time. The most serious of them may be considered at this point, and their relation to the proposed remedy of state ownership of the terminal elevator.

Storage is a live issue because the crop is hurried to market as soon as harvested. The wheat crop alone averages over 700,000,000 bushels, and most of this crop is rushed off to the terminals within 90 days. There is not adequate storage on the farms, or at the local elevators, hence the great accumulation at the terminal in the crop moving season. Statistics from various markets are very striking on this point. It is needless to blame the terminals for this accumulation.

Mixing of different grades of wheat is done by private elevators, but is forbidden by law in the public warehouses. Yet the controversy over mixing is one of the most serious issues now stirring the farmers. We have much conflicting testimony on this subject. A report of our federal government (Bulletin of the U. S. Department of Labor, Whole Number 130) contains these statements:

> ''As the ordinary (country) elevator has only 6 or 8 storage bins, there is necessarily a mixing of grain as it comes from the farmers, wheat of like grade being stored together. An element of profit to the elevator is the mixing of grain in such a way as to raise the grade of part of the wheat put into the mixture. For example, a quantity of wheat may be bought as No. 3 at a No. 3 price and mixed with fine No. 2 wheat in such a proportion that the mixture will retain a grade sufficiently high to be sold as No. 2. The grade of wheat may be raised by fanning out weed seeds and at the same time cleaning out

> chaff, thus raising the test weight. This mixing of wheat bought at different prices and the raising of the grade begins at the country elevator and is practiced to a greater or less extent by every one handling the grain. * * * The millers complain of some of the practices of storage warehouses; first, that of mixing wheat to raise the grade, which, however, is a charge that seems to apply about equally to all persons handling wheat; second, and more important, is the complaint concerning the scouring of wheat. By scouring wheat the evidence of some of its imperfections, such as sprouts, mold, and smut, are removed or disguised and unsound wheat is made to appear better than it really is. The miller prefers to have the grain come to him in its natural state, so that he can more readily see the character of the wheat that he is buying.''

The state grain commissioners reported to Governor Burke of North Dakota in 1910 concerning mixing at Duluth as follows: ''The mixing of different grades as they are inspected in and the grades they finally take out, on our inspection, is unjust and works to the disadvantage of our state.''

Report of Canadian Commission

In the 1906 Report of Canada's royal commission on the grain trade in Canada the subject of mixing is dealt with in these words:

> ''We have had complaints of loss by the farmers owing to the alleged substitution of and mixing of grains with that which was special binned. To prevent this practice, we are suggesting an amendment providing for the keeping of samples of all such special binned grain. * * * We also found from examination of arrivals of grain in Great Britain that the grain as received there contains too great a percentage of foreign matter. It is quite evident to us that there should be a complete supervision of the cleaning operation of these elevators (at Fort William). We were convinced at the time of our inspection that many of the cleaning machines installed in the different elevators have not the capacity nor are they of the proper type for cleaning the grain to grade. With regard to the quality of the grain itself we would say that while there is a possibility of elevator operators mixing grain contrary to the Inspection and Sale Act,

> we did not find in the grain to its ultimate destination in Ontario and Great Britain, that there was any serious complaint as to the quality of the different grades being materially reduced; still in some cases samples were produced to us that would lead us to believe that there had been either manipulation or serious mistakes made somewhere.''

Our industrial commission report claimed that the farmers ship grain in poor condition, so that cleaning and mixing are necessary before binning is possible.

The Equity Coöperative Exchange in St. Paul reported to the North Dakota Board of Control (December 14, 1914) as follows:

> ''In the first place, no public grain elevator should be in charge of a custodian who deals in grain. He should simply be custodian. A public elevator should have what is known as a cleaning house attached to proper bins so that grain may be properly cleaned, etc., and put into storage by the owner. The cost of operation should be the lowest possible and without profit—just enough to pay expenses. Every facility should be offered farmers to clean, clip, dry, sort, mix, or otherwise prepare their grain for market, the service performed being by one having no interest whatever in anything but the performing of the service and the custodianship of the property.''

Conditions in Minnesota

One of the most thorough investigations into the mixing problem was conducted by the Works Grain Investigation Committee of the Minnesota state senate in 1913. On the subject of cleaning, drying, and mixing grain in terminal elevators, they report as follows:

> ''Your committee investigated the cleaning, drying, and mixing of grain as carried out in the terminal elevators. Tables submitted show that the terminal elevators shipped out in 2 years more No. 1 and No. 2 wheat than they received. This result is brought about by improving and mixing the wheat. During some seasons a considerable quantity of wheat is received at the terminals containing a surplus amount of moisture. Such wheat is graded 'No Grade' by the state inspection. After it is dried sufficiently it may be entitled to a higher grade. Again by mixing some No. 2 wheat with a sufficient amount of choice or premium No. 1

> the whole quantity will grade a medium or thin No. 1. A similar increase in quantity of any grade may be brought about by reducing the quality within the grade through additions of lower grade wheat. The possibility of mixing a certain amount of lower grades of wheat with higher grades increases the demand for and advances the price of the lower grades. 'No Grade' wheat frequently sells within 3 or 4 cents of No. 1, and the average price of the purchases of 'No Grade' by one terminal elevator company during the present season was 5⅜ cents below No. 1. The same company purchased its No. 4 wheat at an average of 5½ cents below No. 1. The possibility of improving and using these grains with higher grades undoubtedly was a factor in making these prices. That is, the value which wheat has for mixing purposes is paid for it by terminal elevator companies as well as millers. Section 2053, Revised Laws 1905, as amended by Chapter 82, General Laws of 1909, requires any warehouseman operating a terminal elevator to store grain in separate bins on the request of any owner or consignee, and requires the warehouseman, at the request of the owner or consignee, to clean, dry, mix, or otherwise improve the condition of or value of such grain and to deliver the same separately from the grain of any other owner or consignee, upon order. Therefore, any owner or consignee of grain, unless he is offered full value for that grain in its condition on track, may use the same facilities the elevators and mills have to clean, dry, mix and improve the condition of the grain. The fact that owners of grain seldom avail themselves of this privilege would seem to indicate clearly that buyers of grain at terminals pay the full value of that grain with reference to the possibility of improving it by drying, cleaning, and mixing."

A committee of the Minnesota house at the same time reported that the state should provide facilities for mixing grain until the farmers could coöperate and do it themselves.

Mr. Henry Feig, supervising inspector of country elevators for the State of Minnesota, in a letter published in 1911, spoke of the effect mixing has on the price paid to farmers, in these words: "The mixing of grain in this manner is a benefit not only to those who mix the same, but it reflects itself back to the producer of low grade or No Grade grain. The process of mixing and cleaning makes it possible to raise the value of low grade or No Grade grain."

The Canadian Royal Commission in 1906 reported that the price is not based on the poorest wheat in the grade. To quote: "The argument is that the price of each grade is based on the lowest quality of that grade. This argument is not based on fact. The price of any grade is based on the resulting average sample of all cars of each grade as they pass through the inspector's hands, and where the car of the highest quality loses, the car of the poorest quality gains."

Further evidence on this point is unnecessary. The law now provides for special binning whereby the farmer can get all the benefit of mixing. Yet the farmer does not use this privilege. Is there any reason to suppose, therefore, that he would make extensive use of the mixing practice, even if he had a farmers' coöperative terminal or a government terminal? The farmer now has an adequate remedy in his hands for this alleged evil.

Inspection, Weighing, and Dockage

Inspection as now carried on is done by the state, the intention being to do impartial justice to the shipper and to the buyer and at the same time maintain the honor and prestige of the state's grain market or markets. Thus Minnesota in competition with Chicago, and Chicago in competition with the 2 Missouri markets each seeks to maintain a market which will hold the shippers' patronage. Various official investigations uniformly report the inspection to be inexpensive and fair to all. The most serious criticism of inspection is that it is now a matter of judgment only.

To quote the federal government report on this (Bulletin Bureau of Labor Statistics 130):

> "The states make provision for the grading and inspection of grain for the convenience both of the buyer and the seller. The fee for inspection provided by the law of Kansas is 1 cent per 1,000 pounds, minimum capacity of car, which fee in practice is paid by the shipper of the wheat. A fee of like amount and paid in like manner is charged for weighing. As already explained, wheat is graded according to its weight, its soundness, its freedom from foreign matter, and, recently, also by its color. The only certain element entering into this grading is the test weight.

The other elements are determined according to the judgment of the inspector. As a consequence there is much conflict of judgment as to the grading of wheat. Inspectors disagree with each other and sometimes an inspector reverses his previous grading, and there are frequent appeals from the decision of the inspector to that of the chief inspector. So unsatisfactory is the present grading that there is a conflict between the several states and one state will not accept the grading made by another state. It has been suggested that the disputes about grading, especially for shipments from one state to another, could be avoided by providing for inspection by federal authority. Such inspection has been urged by many millers and grain shippers, who also urge that after inspection there should be no mixing of wheat of different grades. However honestly and carefully performed the inspection may be, still it is not a scientific test of the milling quality of the wheat. As before stated, the gluten content is the element next to soundness considered in determining the price of wheat. Test weight, shape of berry, and color tend to indicate the amount of gluten in the wheat berry, but do not by any means determine it. Because of the crude tests applied in the present method of inspection a scientific laboratory test is coming into popular favor. In several of the large grain-handling cities there are laboratories devoted to a scientific analysis of wheat where samples can be submitted and the constituent elements of the grain carefully determined.''

The Board of Control of North Dakota (1915 Report to Legislature) reached the following conclusion: ''It is the opinion of the board that federal inspection installed on a practical, efficient basis would give more uniform grades year in and year out and that there would be a general feeling of satisfaction among the producers in the knowlege that the government was inspecting, grading, docking and weighing the grain.''

In any event, a state owned terminal elevator would not change the present methods of inspection, grading, and weighing. A Kansas elevator in Kansas City, Missouri, would be subject to Missouri inspection, a Dakota elevator in Minnesota to Minnesota inspection, and so on. In other words, the mere fact of state ownership of the terminal elevator will have no effect on inspection, weighing, or dockage.

Dockage is growing heavier from year to year, quite naturally, as the farmers' fields become fouler with weeds. And when the imperfect grains and foreign matter are removed from the grain an increasing amount of screenings is the result. On these screenings the farmer has paid freight and suffered dockage, and he feels a grievance. What is the remedy for this situation? Says the North Dakota Grain Commission in its report to Governor Burke, "keep the screenings at home." This operation should be performed either on the farm or at the local elevator.

Here again, it is hard to see where a state owned terminal elevator would remedy the condition.

Open, Competitive Market

The North Dakota Bankers' Association in their meetings of 1906 and 1907, claimed the farmers of the Northwest were not enjoying an open and competitive grain market at the terminals. Similar claims were made to the industrial commission in 1901 concerning the Chicago market. Have conditions changed since then?

The federal government report on the Kansas wheat situation (1914) spoke of the condition in these words: "The control of the elevator situation by a few powerful companies is not an unusual one in the large wheat markets of the United States, and it is a question whether it is the ideal condition for the grain trade at large." * * * "No evidence was discovered" (concludes the report) "of collusion between large interests to restrain competition or to depress prices in Kansas City. In Kansas City 86 per cent of the terminal elevator capacity is controlled by 6 firms, but these firms appear to be in competition with each other."

On the whole, the grain business now is fiercely competitive, according to the findings of the federal Department of Labor Bulletin (Bureau of Labor Statistics 130). The situation is described in these words:

> "In a survey of the distribution of wheat and flour, three things are noticeable: the intensely competitive character of the business, the excess in the equipment for distribution, and the desire for independence of the people engaged in production and distribution. If one farmer will not sell his wheat at the price offered another farmer will. Local dealers, jobbers, and millers bid against each other in buy-

> ing and selling. Flour is made in the town of A and shipped by rail to be sold in the town of B, while flour made in B is sold in A. A grocer in the east end of town hauls flour across the city to a customer in the west end of town, and the grocer in the west end delivers to a customer in the east end. The Minnesota miller sometimes buys Kansas wheat, and the Kansas housekeeper sometimes insists on having Minnesota flour. And not only are the products crossing trails in distribution, but traveling salesmen of many mills and flour jobbers are duplicating their labors in the same territory. Beginning with production, there are more seeding and harvesting machines in the hands of farmers than would be needed if there were coöperation in production and each machine kept in operation the entire harvest season. There are more elevators in the wheat area than are needed, each operating most of the time on less than its full capacity. In some sections there is needless duplication of railroad trackage. More grain jobbers and commission men are in the field than can find continuous business. It is asserted that the millers of the United States could grind all the wheat raised in the United States in 144 days."

Apparently we are suffering from too much competition rather than too much combination.

When grain prices are high, farmers are satisfied; when grain prices are low, they blame, to a large extent, the terminal elevators. Yet if the government would build a hundred terminal elevators and furnish free storage, it would likely not change the price of grain by one cent a bushel. World markets, operating under known and anticipated conditions of supply and demand, determine grain prices in the last analysis. All official investigations with which I am acquainted find the smallest margins and smallest leaks in the terminal elevators, and the biggest leaks and biggest margins at the local elevators. Here, says the North Dakota Board of Control report:

> "In this transaction between producers and the buyer of the local elevator company, there is no third disinterested party to dock, grade or weigh the wheat or other cereals and thereby determine its actual weight or worth. If after a thorough investigation a practical system of inspection and grading could be had for country elevators with proper supervision, in our judgment it would elim-

> inate 80 per cent of the abuses now complained of by the farmers of this state."

Government Owned Terminals

Canada's experience with government terminal elevators is too short to prove anything, one way or the other. Canada went into government ownership of elevators under stress of 4 critical conditions none of which affect us, namely: (1) lack of railroad facilities, both in railroads and cars to move the crop; (2) great and sudden increase in wheat acreage a thousand miles from the terminals; (3) lack of interior storage —in conjunction with distance from market and car shortage, making necessary the piling of grain on the ground; (4) two successive grain crops seriously injured by dampness.

Canada has gone into the government elevator business to the following extent (according to the 1914 report of the Department of Trade and Commerce, part V, grain statistics):

The Dominion terminal at Fort William cost $1,379,409.43 and has a storage capacity of 3,250,000 bushels. Interior storage at Moosejaw, cost $1,200,000; its storage capacity is 3,500,000 bushels. Interior storage at Saskatoon, cost $1,100,000; its capacity is 3,500,000 bushels. Interior storage at Calgary, cost $850,000; its capacity is 2,500,000 bushels. The total cost was $4,529,409.43. Total storage capacity, 12,750,000 bushels; cost of erection, 35 cents a bushel.

The cost of operating the Fort William elevator for one year (Oct. 16, 1913, to Aug. 31, 1914), not including interest on plant or depreciation, was $68,111.35.

Most of the non-partisan investigations which I have been able to discover reach the same conclusions regarding government terminal elevators, namely, that the experiment is unwise. The Royal Commission of Canada of 1906 has this to say on the subject:

> "Requests were made of us in the country that the elevators at Fort William and Port Arthur should be taken over and operated by the government in view of the fact that so many of them were operated by private corporations interested in the grain trade. We also had a communication from the department under date January 23, 1907, enclosing a petition of members of parliament addressed to the right honorable the premier, requesting that we be instructed to specifically 'inquire into and report

> whether it is in the public interest that terminal elevators * * * continue to be operated by the common carriers or allowed to pass into the hands of or be operated by persons, firms, or corporations engaged in the grain business.' In reply to this communication we addressed to the Right Honorable Sir Richard Cartwright, minister of trade and commerce, a letter dated February 1, a copy of which is appended hereto. We can see no reasons for changing the conclusions arrived at at that time, and we believe if our recommendations are carried out they will give the public the same confidence and protection in the operation of these terminal elevators as if they were owned by the government.''

And in the letter to the minister of trade and commerce referred to above, the commission says:

> ''To prevent the evils that are made possible by the operation of terminal elevators under the present system, we do not think it wise to advise the government to go to the length of taking over the terminal elevators or of prohibiting persons engaged in the grain trade being interested in such terminals. We believe it is possible to obtain a good service from these elevators under the present ownership by having a more thorough system of supervision and control.''

To the 800 farmers in 1910 who addressed him in favor of government elevators, Premier Laurier refused to commit himself for or against the proposition, but he did say that this scheme did not go to the root of the problem.

North Dakota has had 3 separate commissions to investigate the problem. The first, made in 1908, (Public Document, No. 37, 1908) recounted the familiar ''evils,'' especially in the local elevators, and recommended among some 10 or 12 things, the leasing of terminal elevators at Minneapolis and one at the head of the lakes. The second, in 1910 (Public Document No. 26, 1910) after complaining of the usual evils of mixing, inspection, dockage, and local elevator abuses, recommended state-owned terminal elevators at Minneapolis and Duluth or Superior. The report also contains the usual booster statements that ''our state produces more wheat on the average than any other state in the union,'' and ''our wheat being acknowledged the best in the United States,'' both of which statements are amiable errors.

The third report, made in 1915 to the state legislature by the members of the state board of control, after a thorough canvass of the situation in Canada, North Dakota, Minnesota and Superior, Wisconsin, condemned in plain language the whole proposition of state-owned terminals.

Enough Storage Space Already

In no case is it apparent that the evils complained of in our grain trade would be cured by state-owned terminal elevators. I have tried to show this step by step. Hence the tremendous investment necessary to erect anything better than insignificant storage houses (the Canadian Dominion terminals cost 35 cents a bushel to erect) would likely prove a disappointment as well as a loss. Adequate storage exists at every terminal. A glance through the pages of the American Elevator and Grain Trade of Chicago furnishes evidence enough of the growth of terminal elevator capacity as fast as the grain output increases. And according to our federal government investigation already cited, we have too many local elevators. Hence there is no pressure for more storage. Nor is there demand for cheaper storage, since terminal storage rates are regulated by the respective states.

We can afford to wait a while and watch Canada's experience. It will be cheaper to get their experience than to pay for our own. Already I have heard rumors from accredited sources that bad politics is at work in these Dominion elevators, finding jobs for deserving politicians. And we may also wait and watch the results of the public elevators at Seattle and New Orleans, and see how wisely these two cities manage to use the public funds. Present terminal elevators of modern construction are of steel or concrete, and have a capacity of from 3 to 10 million bushels. To erect one of 3 million bushels would cost the state a million dollars or more; a 6-million bushel house—and this size is more economical to operate than a smaller one—would most 2 million dollars. If instead of spending 8 or 10 million dollars on these terminal elevators the state would put the same money in good roads, it would confer a great benefit on the farmer, not only by helping him to get his grain to market with a wider margin of profit to himself, but it would also cause a permanent increase in the land values far in excess of the cost of the improvement. The whole community would be the beneficiaries of such a use of public funds, if these few millions of dollars be available for expenditure.

Thirty years ago, the railroads owned and operated the terminal elevators, for in no other way could adequate storage be found for their grain shipments. Here also abuses of various kinds arose, but there also grew up adequate government supervision and control. Now the farmer wants more direct control of the grain trade, and he is entitled to it. But shall he proceed to get it along the lines of government ownership, or shall he rather proceed along the lines of self-help through coöperation? In short, shall he do as the orange growers of California have done, namely, organize his own marketing machinery through coöperation?

The farmers' elevators are slowly, year by year, driving out the independent and the line elevators. And since self-help is always better than government subsidy, the farmers' coöperative terminal elevator is the next logical step. But even here the way of reform is beset with difficulties, for we read in a recent number of the Grain Growers' Guide of Winnipeg (November 17, 1915), the official organ of the coöperative farmers of that section, that the farmers have failed to patronize the farmers' coöperative terminal elevator at Fort William.

PROBLEMS OF A COÖPERATIVELY OWNED TERMINAL SYSTEM

J. M. Anderson

President, Equity Coöperative Exchange

I represent here the Equity Coöperative Exchange which is a North Dakota corporation, incorporated under the laws of that state in 1911. Its capital stock is $50 a share. It has a paid-up capital now of $75,000. There are about 1,200 stockholders, all of whom are farmers. It's board of directors is made up of farmers, all of whom live on their farms with the exception of me. My entire time is given over to the management of the affairs of the corporation. Our capital stock draws a dividend of 8 per cent a year. The balance of the net earnings is prorated back to the shippers of grain, so we hold that we are a coöperative organization. I might say also that our stockholders are entitled to only one vote to the man, regardless of the number of shares of stock that he holds.

Such in brief is the nature of our corporation. We began business, the business of grain commission merchants, in 1912, in the cities of Minneapolis and Superior, Wisconsin. We handled during the first year of our business about 1,800,000 bushels of grain. The second year that we operated we handled about 3 million bushels and last year we handled about 5 million bushels. We have handled since the first day of August of this year, in other words, in 4 months, we have handled about 6½ million bushels. So you see we are growing. We handle grain now at the rate of about 125,000 bushels a day, and our average daily balances, our bank deposits, are about $130,000.

Now, gentlemen, we have had some experience in the few years that we have been in the business. In the first place, we have been charged with dealing in personalities and your secretary, when he wrote inviting us to come here to address this conference, asked that we refrain from indulging in personalities, and the letters that we get from the different parts of the country asking us to come to address audiences usually carry with them that suggestion. Now, gentlemen, I assure you that it has been an unpleasant task to go out in the country and deal in personalities but we have had to do so as a matter of self-defense. Any respectable citizens could not permit themselves to be called the names that we who happen to be the officers of the Equity Exchange have been called, and not go out in self defense.

Interests Fight Equity Exchange

When we began business in Minneapolis we were denied entrance to the Minneapolis Chamber of Commerce, which is the board of trade in that city. I speak now of the Minneapolis market and the Duluth market, for those are the only 2 markets on which we have had any experience. We were refused admission and the only thing left for us to do was to set up our tables, present our samples of grain and try to get buyers in that way, or to go back home and tell the farmers that we had failed in our efforts to establish a coöperative selling agency on the terminal markets of Minneapolis and Duluth. And we chose the former course. We secured state inspection there in Minnesota, set up our samples and attempted to sell our grain to the 4 large mills in Minneapolis. They never bought a bushel of grain from the Equity Exchange. We have buyers coming to our offices in St. Paul now asking if we have any grain for sale that is not mortgaged, and when we asked them why they ask that question they tell us that they have been told that all the grain that the Equity has is mortgaged grain and grain that has been stolen. And, gentlemen, in our efforts to establish a coöperative market on the terminals we have received no government protection in the hardships that have been worked upon us and what we are asking is that the government take charge of the big terminal markets and allow the fellows who want to sell grain to come there and sell grain without joining any chamber of commerce or any other organization. You can go to your local market out through the country and sell grain without joining the commercial club or the ladies' aid, can't you? Well, why shouldn't you be permitted to come to the large terminal markets and sell your grain without joining any board of trade or any other organization? And we hope that some day we can induce the federal government to prosecute the millers who are discriminating against Equity grain because the Equity organization is not a member of the regular board of trade.

Why There is Discrimination

Now, why don't they buy from us? We haven't mortgaged the grain for sale. There are days in St. Paul when we have as much grain as you have here in the city of Chicago. There must be something in the minds of those men that kept them away from the Equity market, some selfish interest whatever that something is.

Now who are our buyers? We sell grain to the millers located out in Minnesota and Wisconsin and Iowa. We have millers of St. Louis on our market now buying grain. The day before I left, the day I left, day before yesterday, an exporter from St. Louis came to buy Equity grain. Whenever a new buyer comes to us we ask him why he comes. And they usually say, "We come to this market because we want to get the grain in its original state and the grain as it comes from the country, unmixed," One miller told me that he wasn't permitted to come near the tables in Minneapolis where he could buy that grain. He said the only grain he could get was elevator grain.

"Well, I said, "why don't you want elevator grain?" He said,

"Because it has been mixed."

If you will go on the Minneapolis market you will find that elevator grain sells from 1 to 2 and 3 cents per bushel less than grain on track will sell for because the grain on track has not been mixed. And one of the reasons that we want either government elevators or coöperative elevators on the terminal markets is to provide a place where grain can be stored and be assured that it will not be mixed while it is in storage.

A Difficult Storage Problem

There is the matter of storing grain. You can't store grain in the public terminal elevators where mixing is permitted without that grain depreciating in market value. And what you want is elevators in which grain cannot be mixed.

Then there is another phase of the storage question that is being debated very much in the spring wheat district of the Northwest, namely the selling of store wheat. In our agricultural college at Fargo, or under the supervision of that college, a number of experiments have been carried on for years to ascertain what it costs to produce wheat in the State of North Dakota. And Mr. Palmer, I believe, is the man having this in charge. Isn't that right, Mr. Bolley, Mr. Palmer?

Mr. Bolley: He may be given the summary of it, but they come from several sources.

Mr. J. M. Anderson: I think it was Mr. Palmer with whom I spoke at any rate.

Mr. Bolley: I presume that is right.

Mr. J. M. Anderson: Mr. Palmer told us that the farmers in North Dakota should receive at least 86 cents per bushel for their wheat if they were to make any profit at all. Now, it isn't very often in North Dakota and Western Minnesota that the farmers receive 86 cents per bushel in their local market. They are compelled to sell at less, and one of the reasons why they are compelled to sell is that their debts mature in the fall of the year. They are paying, as was illustrated here by charts, all the way from 8 to 10 and in some places they have been paying 12 per cent interest, in North Dakota. There isn't very much inducement to those men to leave their wheat back home is the bins and pay interest on the money which that wheat represents, paying 10 per cent interest and holding their wheat for higher prices. And for that reason we want a public storage system where these men can store their wheat and take their storage tickets to the bank as collateral security and obtain money on them at the 4 or 5 per cent interest rates at which money can be secured on terminal warehouse receipts as collateral.

Coöperative Ownership a Hope.

Now, gentlemen, it may be that we can get those elevators through private initiative. In the state of North Dakota this matter has become a religion, as our friend, Doctor Boyle, with whom I formerly went to school, has told you. But North Dakota is just a great big farm, doctor; that is, all we have up our way is agriculture and good schools. And we believe that the state should experiment with seventy-five or a hundred thousand dollars in the establishment of a government elevator in the terminal markets, if, for nothing else than to furnish a storage place for the farmers where grain cannot be mixed.

Now, the matter of cleaning grain has been discussed here. Of course, the place to clean it is out at the local elevators. But most of those elevators handle in our state from 2000,000 to, in some instances, 400,000 bushels of grain each year; and they haven't the room for cleaning. We get grain on our tables in St. Paul that has a dockage of 10 or 12 pounds to the bushel, and in most instances we have to give that dockage away, whereas, if we had an elevator and could clean it there the dockage could be saved to the shipper.

Mention has been made of the terminal elevators. We have had some experience with the elevators in Minneapolis. In 1913 we received an order from the railroads in Minnesota forbidding their cars to go to other points, to points located on other roads than their own. That is, if we sold a Great Northern car to go to La Crosse, Wisconsin, located on the Burlington, that we would have to transfer the contents of that car to some other car. In other words, the Great Northern lines wouldn't let their cars go on. The only place where we could have a transfer made was in an elevator. We received some orders from all the railroads entering the Minneapolis market on the same day.

We had some 75 cars on the Minneapolis market. We went to the elevators and asked them to transfer this grain for us, and they turned us down. Not a single car would they transfer. And there we were. It looked like a blockade. We telegraphed the situation to Senator La Follette at Washington, who took the matter up with Commissioner Marble, one of the best men that was ever a member of the Interstate Commerce Commission. When Mr. Marble had heard the facts he sent an order to all of the railroads in Minnesota ordering them to let their cars go on as usual. I mention this because it illustrates that these public elevators are not always at the service of the grain dealers, and not always at the service of the shippers.

Problems of Finance

Now, the matter of financing. We have had some experience in that line. When we started business in Minneapolis there was only one bank that would furnish us any money. Only one bank that would furnish any credit to the Equity, and that bank furnished $50,000. That was all that we could get anywhere. We had good paper. We had promissory notes bearing 8 per cent interest, carrying the name of the corporation, signed by its officers and endorsed by the directors on the back of the note, each director endorsing or signing as individual surety. We had $100,000 of that kind of paper, but no banks would take it. It was then that we moved to St. Paul. The St. Paul banks said, "Bring your paper to us. If you will come to St. Paul to market your grain, we will finance you on that kind of security." We moved to St. Paul a year ago last August. We are borrowing from the St. Paul banks now in the neighborhood of $400,000 a day used in the financing of grain.

This, briefly stated, gentlemen, has been our experience on the terminal markets. And, briefly stated, I would say this, that the federal government should take charge of the big terminal markets and make them open markets, permitting anybody to go there and sell grain or buy grain or the products of grain. The federal government should see to it that it is unlawful to mix grain in any elevators. And I believe, too, that the federal government should build at least one good sized terminal elevator at Chicago, Minneapolis, Duluth, and at some other grain market, just to give the fellow who is pinched by the other crowd an opportunity to come in and get his elevator service. Had there been such an elevator in Minneapolis at the time that we were denied elevator transfer privileges in Minneapolis, we would have felt a whole lot better, a whole lot better than we did. As it is, the federal government came to our aid through the order issued by Mr. Marble of the Interstate Commerce Commission.

Warehouse Certificates Should Be Recognized By Federal Reserve System

And, then, again, I believe that the federal government should accept the terminal warehouse receipts as collateral in the federal reserve banks. They are accepted as collateral for loans in those banks at the present time, but the application for loans must come through some banker, and thus far we have been unable to induce any bank to ask for loans from the federal reserve bank. I wish it were possible for the farmers or credit associations or something that is under the control of the farmers to go to the federal reserve banks and get the money when the other banks have turned them down.

What it Costs to Handle Grain in Terminals

Just a word now in regard to the cost of handling grain on the terminal market. Through the interesting times that we have had in the Northwest in the past 3 years we have spent considerable money. Our little corporation had only $42,000 of paid-up capital on the first of August this year. We had a deficit staring us in the face of $33,000. That is, we were that far behind in the game. We have made as a net profit since the first of August over $40,000 in handling about 6 millions bushels of grain. I believe that grain can be handled on the terminal markets for less than a quarter of a cent per bushel as a commission leaving the other three-quarters to be rebated back to the shippers of grain. If that amount were saved by the farmers of North Dakota alone each year it would yield them over a million dollars as a net profit.

Gentlemen, we are trying to solve these problems there on the terminal markets for ourselves. We are so well under way now that we believe we are going to succeed. We are able to pay an accumulated dividend of 8 per cent now. And if that is the measure of success of the corporation you can see that the Equity Exchange has been a success. We believe that in the very near future we will have provided a system of marketing whereby the farmers can control their grain while it passes from the farms to the mills.

THE GRAIN GROWERS OF WESTERN CANADA AND THE MARKETING OF THEIR OWN GRAIN

George F. Chipman
Editor, Grain Growers' Guide

The history of the organized grain growers of Western Canada is a record of struggle and achievement to bring about improvements necessary to give the farmers a square deal in the grain trade. They have had to fight every inch of the way against the most powerful and best organized interests in Canada. Steadily, however, for the past 15 years they have made progress until today the grain growers' organizations of Manitoba, Saskatchewan and Alberta are one of the biggest factors in the commercial, economic and political development of the Dominion.

Prior to 1900 there was no government regulation nor control of the grain trade. The Canadian Pacific Railway which was then the only railway in Western Canada and the line elevator companies had complete control of the marketing of the grain. All the country elevators were built on sites leased by the railway company and there was an agreement with the railway company that they would not furnish cars for the shipment of grain except to the elevators. The result was that the elevator companies had a monopoly and that they used that monopoly to oppress the farmers most shamefully. The farmer who hauled his wheat to the elevator was forced to accept the weight, grade, dockage and price that the operator might offer, and there was no appeal from the decision of the elevator company. Many a farmer who saw himself robbed of from 8 cents to 10 cents a bushel on his wheat was informed that if he did not like the system he could haul his grain home again. This condition of affairs continued with little improvement until the year 1899. At that time in response to the protest of the western farmers the federal government appointed a royal commission to investigate conditions and to recommend legislation. As a result of the work of this commission the Manitoba grain act was passed by the federal Parliament in 1900 for the regulation of the grain trade of Western Canada and a warehouse commissioner was appointed to administer that act. Under the Manitoba grain act every grain company was licensed and bonded for the protection of the farmer and provision was made for the erection of loading platforms over which the farmers could load their grain into cars and become independent of the elevators. The loading platform provision, however, was a dead letter, because there was nothing in the act to compel the railway companies to supply cars to the loading platforms when the farmers required them.

Farmers Organize to Secure Relief

The Manitoba grain act of 1900 brought some relief, but the farmers saw that it did not break the monopoly of the elevator companies and they determined to organize in self-defense. The Grain Growers' Organization was started in 1901 in Saskatchewan and rapidly spread all over the 3 provinces. The associations were all organized in local groups with local officers and these again organized into provincial organizations with provincial officers. From the time this organization began the farmers made know their demands to the Dominion government in no uncertain sound.

In 1903 the farmers' representatives waited on the Ottawa government and asked for amendments to the grain act giving the warehouse commissioner power to force the railway company to build loading platforms and to supply cars to the farmers who required them. The elevators and the railway company were successful in opposing this demand. In 1906, however, the Grain Growers' organizations had increased very much in numbers and another delegation was sent to Ottawa. This time the government appointed another royal commission to look into the conditions in Western Canada. At the hearings of this commission the farmers piled up evidence showing the need of the loading platform which was finally recommended by the commission. Again at Ottawa in 1908 the organized grain growers pressed their claims upon the government and at the conference in Ottawa at that time they were opposed by the elevator interests, the railway interest and the bankers' association.

But so strong was the farmers' case that the government yielded to their demands. The grain act was amended so that the railway company was forced to build loading platforms wherever there were 10 farmers who wished to use it, and the railway company was forced to supply cars for the loading platform as the farmers required them. A car-order book was provided at each shipping point in which every farmer requiring a car entered his name and the local elevator was allowed one car in turn with the farmers. Heavy penalties were provided against violations of the act, and from that time on there has been very little trouble over the loading platform. The railway company did not accept the new order of things without a struggle, but after being prosecuted and fined for violating the act they fell into line and gave little further trouble.

Birth of a Central Selling Agency

While the struggle over the loading platform was continuing the organized grain growers were pressing for improvements in other directions and steadily strengthening their organization. They found that men could not be made honest by law, and, after careful consideration, they decided that the only way to correct the evils of the grain trade was by going into the business themselves. As a result, the Grain Growers' Company was organized in 1906 as a commission firm. It had very small capital and was not regarded seriously by the grain trade. In fact, the farmers' company was allowed to purchase a seat on the grain exchange without opposition.

Business began to flow to the new company in considerable volume and this aroused the antagonism of the organized grain trade who realized that the farmers' company must be nipped in the bud or it would be dangerous. The Grain Growers' Grain Company had announced its intention of distributing profits on the coöperative basis. The grain exchange seized upon this as a pretext and suspended the farmers' company from membership in the grain exchange in the first year of its operations. The bank with which the farmers' company was doing business, to make the funeral of the company complete, withdrew its credit. The farmers' business organizations of Western Canada at that time were nearly snuffed out. A number of farmers got together and by pledging all their property succeeded in securing sufficient credit to carry the small stock of grain on hand.

The Winnipeg Grain Exchange which received its charter from the Manitoba legislature was brought to time in a different manner. The Manitoba Grain Growers' association, numbering 6,000 or 7,000 farmers at that time, approached the

Manitoba government and demanded that they come to the rescue. The government requested the grain exchange to reinstate the farmers' company, but without avail. The Grain Growers' Association continued its pressure on the government and finally the premier of the province served notice on the Winnipeg Grain Exchange that if the farmers' company were not reinstated to the full trading privileges of the exchange he would call a special session of the legislature and cancel the charter of the exchange. Under this threat the grain exchange reinstated the farmers' company and from that time on the Grain Growers' Grain Company has been a member of the Winnipeg Grain Exchange. Finally arrangements were made with a small eastern bank by which the farmers' company was enabled to continue its business, and this bank has continued since to finance the company.

Breaking Exchange Monopoly

At the next session of the Manitoba legislature the farmers demanded amendments to the grain exchange charter which would break its monopoly and give the farmers better treatment. As a result the legislature amended the charter radically. In fact the grain exchange refused to work under the new charter and has ever since operated as a voluntary organization with no legislative charter, but they had learned their lesson and have never since attempted to expel the farmers' company from their organization.

But the organized elevator interests were not so easily discouraged. They established in 1909 a secret publicity bureau in charge of an able writer. The purpose of this work was to throw suspicion upon the men at the head of the farmers' company and bring about disruption and internal strife in the farmers' organization. They purchased space in the farm papers in which they published these articles. The Grain Growers' Guide, however, exposed the plot of the elevator interests with the result that the farmers cancelled their subscriptions to the papers publishing these articles and in less than a month the whole publicity scheme was destroyed.

The next attempt on the part of the elevator interests to destroy the farmers' company was in 1910. The commission rule of the Winnipeg Grain Exchange was that every grain company should charge 1 cent per bushel on all grain handled. Suddenly this commission rule was suspended entirely and the elevator companies set out to handle the farmers grain at ½ cent and many of them handled it for nothing, the purpose being to draw the grain away from the farmers' company. At that time, however, the Grain Growers' Grain Company had thousands of farmer shareholders and had become the largest commission firm on the exchange. The company took a referendum of its shareholders and 98 per cent of them recommended maintaining the 1 cent per bushel commission. In 1909 the company handled 7,500,000 bushels, and in 1910 this jumped to over 16,000,000. The grain exchange realized that the farmers were not to be fooled in this way and the commission rule was restored and has since remained in effect.

How a Farm Journal Helped

During the days of their early struggle the grain growers realized the need of having their own journal through which to reach the farmers of the country. It was with this end in view that the *Grain Growers' Guide* was established in 1908 by the Grain Growers' Grain Company. The men who brought the *Guide* into existence had had no experience in the publishing business and little realized what it would cost to maintain a fearless and outspoken journal until it should be upon its feet financially. During the first year of its existence the *Guide* was published as a monthly and reached a circulation of 6,000 or 7,000 at a financial loss of $16,000. It was then turned into a weekly paper which it has since remained and has been employed as the official organ of the three farmers' organizations in the prairie provinces.

In less than 8 years the *Grain Growers' Guide* has reached a circulation of 35,000 which is considerably larger than that of any other farm journal in the Dominion of Canada, and the *Guide* has reached the position where it is practically independent financially. The *Grain Growers' Guide* has been the big educational medium in the work of the farmers' organizations. It has been the fearless champion of the farmers' rights and has undoubtedly been one of the most important factors in building up all the farmers' organizations and enabling the farmers to work together for a common purpose. The *Grain Growers' Guide* since the first year has been incorporated as a separate company and is published in a $150,000 plant which is the property of the organized grain growers.

Beginning the Fight Over Terminals

In pursuing their work for the improvement of the grain trade the organized grain growers from the very beginning demanded that the country elevators as well as the terminal elevators be taken out of the hands of private parties and operated by the governments as public utilities, the cost of maintenance to be provided by charges on the grain passing through. The grain growers demanded that the country elevators be operated by the provincial governments and the terminal elevators by the federal government. These demands were steadily refused by the various governments until the year 1910 when in the province of Manitoba on the eve of a general election the government yielded and adopted the policy of publicly owned elevators.

The purchase of these elevators was carried out in the most corrupt fashion, prices being paid from 25 to 100 per cent over the actual value of the elevators. In all 176 elevators were purchased and were operated under the commission for 2 years. At the outset the government never intended to make a success of the elevators and at the end of 2 years heavy loss had been met with. The commission was abolished and since that time the Manitoba government elevators have been operated by the Grain Growers' Grain Company under a lease and have shown a profit on their operations. Just in passing it might be mentioned that 4 of the cabinet ministers of the government which made the corrupt elevator purchase were a few weeks ago committed to stand trial before the criminal assizes on the charge of conspiracy to rob the public treasury.

The Dominion government steadily refused to take over the terminal elevators although the grain growers declared that they were being operated by the elevator companies in a manner which robbed the producers of a very considerable margin of profit. The government, however, did institute an investigation which showed that grades were being mixed in the terminal elevators contrary to the law and three of the terminal elevator companies were fined. Prior to the federal election of 1911 the opposition party pledged themselves to public ownership of elevators, and when it came to power as a result of the election in that year it partly fulfilled its pledge. The Dominion government has erected one 3½ million bushel terminal at the head of the lakes and 3 interior storage elevators with a capacity of 3½ million bushels each in Saskatchewan and

Alberta. A new grain commission has been appointed to administer what is now known as the Canadian grain act, and warehouse receipts at the terminal elevators are registered both inward and outward which prevents the mixing of grades. It was in connection with the demand for public ownership of government elevators that the organized farmers sent a delegation of 800 of their representatives to Ottawa to interview the government in December, 1910. A special train was sent from the West and the delegates gathered from Nova Scotia to British Columbia. As a result of that delegation the only important thing that happened was the reciprocity agreement concluded with the United States government, of which you are all aware.

Another Royal Commission

The Saskatchewan government instead of adopting the policy of publicly owned elevators appointed a royal commission to investigate. The royal commission habit is very strong in Canada and is the customary method employed by governments for shelving vexed questions. In this case, however, the royal commission brought results and in 1911 the Saskatchewan Coöperative Elevator Company was organized as a farmers' company absolutely with shares at $50 each with the principal of one-man one-vote provided for in the charter. The shareholders paid 15 per cent on their stock and the government advanced the remaining 85 per cent to be repaid in later years. The Saskatchewan Farmers' Company at once began to erect elevators, selecting chiefly at the beginning those points where there was no elevator facility. Today this company has 230 elevators in operation and is now the largest elevator company in Western Canada. The Saskatchewan government guarantees the credit of the company for the purchase of grain which puts it in a very strong position financially. The Saskatchewan Coöperative Elevator Company is a member of the Winnipeg Grain Exchange and maintains a commission branch in Winnipeg. This year it is expected that the Saskatchewan company will handle over 30,000,000 bushels of grain. In 1913 the farmers of Alberta in coöperation with the government of that province organized the Alberta Farmers' Coöperative Elevator Company along the same lines as the Saskatchewan company was organized and assisted by the government to the same extent in the construction of its elevators.

The Alberta Farmers' Company now operates 87 elevators and is this year handling a very large proportion of the crop of the province.

Taking Over the Terminals

In addition to the 175 country elevators operated by the Grain Growers' Grain Company in Manitoba that company also operates under lease a 2½ million bushel terminal at the lake front as well as a hospital elevator at the same place. By an arrangement between the Grain Growers' Grain Company and the Alberta Farmers' Coöperative Elevator Company, the Grain Growers' Grain Company markets the grain handled through the Alberta elevators and a large proportion of the grain from the Saskatchewan company also passes through the Grain Growers' Grain Company terminal elevator. There has been keen demand on the part of the farmers of Western Canada for their own organization to go into the export business. As a consequence of this demand the Grain Growers' Grain Company entered into the export business several years ago, but owing to inexperience the company sustained a loss in 2 years' operations of nearly a quarter of a million dollars. Despite this, however, the export end of the business was re-organized and placed in charge of one of the ablest grain exporters on the continent, with the result that last year the Grain Growers' Export Company earned a profit of over $500,000 and is still continuing in the export business on a large scale.

To sum up the situation briefly in Western Canada today, there are 3 farmers' companies operating 492 country elevators, 1 terminal elevator and 1 hospital elevator, and 1 export company. These 3 farmers' companies have total assets of $4,500,000 and a paid up capital of $1,500,000. They have 35,000 shareholders and are all protected by the principle of one-man one-vote so that they can never come under the domination of capitalistic interest. During the period of their operation these farmers' companies have handled over 250,000,000 bushels of grain and have earned a net profit on their operations of over $1,600,000. They will this year handle approximately 70,000,000 bushels of grain and within a few years it is safe to predict that half of the crop will be marketed by the farmers themselves. In addition they have the largest and most widely circulated farm journal in Canada.

Plans are now afoot to federate all these farmers' companies in order that their great financial and trading power may be used to the full benefit of the farmers whom they represent. There is also considerable agitation among the farmers for the establishment of grain growers' flour mills, which will probably be undertaken in the near future.

The exorbitant freight rates on lake and ocean during the past 2 years have also given rise to the idea that the organized farmers must sometime establish their own line of steamships for the transportation of their grain. This is a much larger project and is only now in the discussion stage.

STATE AID TO LAND PURCHASE

THE IRISH LAND PURCHASE SYSTEM AND ITS APPLICATION TO AMERICA*

Charles W. Holman

Secretary, National Conference on Marketing and Farm Credits

I am assigned to discuss the problem of turning the farm renters of America into home-owning farmers. I have been asked to discuss one phase of that great problem, namely, state aid in the matter of legislation and state control in the administering of land purchase schemes. I have been asked to limit my discussion to the work of Ireland, to trace for you the story of land purchase in Ireland as I grasped it in a first hand study on Irish soil, and to suggest, so far as I am able, the lessons which America might learn from Ireland,—a country whose travail was borne of maladjustment of the population to the land and a system of land tenure that was iniquitous in the extreme.

In my humble opinion, there are great and valuable lessons to be learned from the experience of the Irish. For we of America are permitting ourselves to slip into the condition from which the Irish were able to wrest themselves only by the exercise of the most arbitrary powers of government in the interest of the social welfare.

Land Question Is the Root Issue in National Preparedness

It is unnecessary, of course, to call your attention to the fact that America is undergoing many deep-seated, subtle changes. The business world recognizes this and the farming world is coming to recognize it. The nations are in struggle. Their leaders know that the strength of nations must come from the developing of what, for lack of a better term, we may call muscular control. That, in nations, means the coördination of the agricultural with the industrial groups and the ability of governments quickly to organize both food supply and man supply. Their leaders have learned that the basis of this strength comes from the organization of the agricultural interest. They have learned that the best way to organize the agricultural interest is by the encouragement of the coöperative movement; for the co-

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* Copyright 1916 by Charles W. Holman.

öperative societies are the uniform rank of the farmer forces. And these organizations in Europe today are standing the test of the greatest of economic crises; they are proving themselves efficient instruments of their governments in the organization and distribution of nations' food supplies.

With such conditions sharpening the wits and developing, to a high point, the business efficiency of the agricultural interest of competitive nations, there can be no doubt that it is time for the American people to consider the agricultural problem as having an aspect that is grave and of deep portent. It is time to take stock of our resources. It is time to depart from our characteristic habit of viewing national questions in a personal way and to consider what is to be done for the common welfare. This implies and necessitates change; and it seems to me that the basis of all this change must lie in a more normal and wholesome policy of distributing of our present farm population, and the population that must become farmers, over the land. I cannot but think that whatsoever change or transformation that may come about in this gigantic effort of America to realize muscular control, it must rest upon this needed readjustment, and upon the creation of social checks to prevent further maladjustment of our population to our land.

The solution of the land question is the root issue in national preparedness for America, whether this preparedness be of a commercial or military cast. It is the only possible way of building a high type of agricultural efficiency, the basic element of a nation's strength.

Ireland—The Land and the People

The history of Ireland is more closely associated with struggle for the land than perhaps is that of any other nation; for, unlike their British neighbors, who have been a noted seafaring folk, the Irish have had a lesser gift for the sea. They are peculiarly a land loving people. And their traditions, born of the imaginative temperament associate themselves with intense local ties and attachment to the soil. Their earliest form of organization, when history lifts the veil upon the primitive life, is one based upon clan and sept organization of the people and tenure of the land.

It was the disruption of this type of organization and the substitution for it of the Norman feudal life, to be followed by the forcible eviction of Celtic peoples from their soil as possessors, and the later turning of them into tenants paying rents to alien owners, that began the story of Ireland's woes.

It was continued oppression centering upon the ownership of the land and extending even to efforts on the part of England to extinguish language, custom and religion and industries that prolonged the struggle for 7 centuries. That struggle culminated in the complete prostration of the country, and thousands of people died along the roadsides, because an iniquitous system of land tenure had developed a one-crop system and that one-crop system had failed!

That prostration is still known as the "black famine" of 1845-49. It was followed by a series of years in which good crops would follow bad crops. In the years of good crops, the landlords raised the rents, and in the succeeding bad years, the tenants fell into arrears. It was inevitable that the tenants came to consider the landlords as typifying England; that discontent and hopelessness should quickly fire into sporadic rebellions. The tenant folk revolted. They burned the landlord's property and they assassinated the landlords themselves. Secret organizations were formed which, in later years, flowered into the Agrarian revolution led in the name of the Land League, by Davitt and Parnell, and their associates.

It was this pitiable plight of the Irish peasantry, together with their forcible resistance of the rent collectors and the eviction bailiffs that caused the English government at last to recognize the great injustice which had been done and to take steps leading toward a national restitution.

But an idea of the depleted condition of Ireland even today is essential to an understanding of what the English government has done; why it was necessary and what are the results that we may expect.

Ireland is a country of about the same size as the State of Wisconsin. Because of this policy of oppression and the lack of landlord regulation, the extreme poverty of the population forced a decline from 8,801,827 in 1821 to 4,390,219 in 1911. There has also been a decline in the birth-rate and a decline in the size of the Irish families. In 1821, the average Irish family numbered 5.18, in 1911 it had decreased to 4.82. So from this very decline of birth-rate, we may glimpse the tragic economic pressure that caused the young people to go away.

A Land of Empty Houses and Aged Men

That exodus has left its mark upon the Ireland of today. The dilapidated house with the unshut door tells of those who once lived there but went out into the world. The empty home is the common sight, for the inhabited houses have decreased from 1,328,839 in 1841 to about 861,000 at the present time. There were 4,278,000 who went away in the period marked between 1851 and 1913. They were the best of the land—they were the young men and the young women. Behind them they left their country to be reckoned as the land of aged folk. For Ireland contains an abnormal proportion of the old. There are 203,000 persons, or 5 per cent of the entire population who are drawing old age pensions from the British government. These pensions are given only to persons of 70 years of age and over whose income is less than about $18 a year.

What wonder is it that the liquor-selling public houses have increased in Ireland, when there are none left to support the widows. But how depressing to view the extraordinary increase of the small traders in the towns and of the traveling traders or peddlers in the country districts. In the face of this declining population, the trader class has increased from about 71,000 in 1881 to 112,000 at the present time. Thus, you will see that the classes which bridge the gap between consumer and producer have been multiplying beyond the need of the country, and their increase has intensified the strain that is put upon the productive occupations. In some cases this middleman class has obtained a strangle-hold on the farmers, getting them in debt, charging ruinous credit prices and Shylockian interest rates, earning for themselves the opprobrious name of "Gombeen" men.*

How the Irish Use Their Land

In England, the average size holding is 72 acres; in Scotland, 177; in Wales, 67; but in Ireland, the average size holding is 33 acres. The land of Ireland is divided into very small tracts. It might be called a nation of little landers, because about half the occupiers live upon holdings that are 15 acres or under in size. Of the remainder there are 2 farms out of every 5 of between 15 and 30 acres, while about an equal number vary from 30 acres to 100 in size.

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* This name is derived from the Irish. "Gomb" means a fly, and "een" is the diminutive.

Only 11 per cent of Ireland's acres ever receives the point of the plow, and part of that is in meadow land. Permanent pasture comprises 50 per cent of the entire acreage; the balance of the acreage is in woods, waste, bog, mountain and water.

In some respects, Ireland might be compared with Texas or any western state; for it is a country with a farm population concentrated in some parts, but at the same time it has a ranching population, because the small farms are really small pastures, and the farmers of that country have gone in for the pasturing of their cattle, rather than the tilling of the land.

At the same time, there is a maladjustment of the population to the land. In the western parts of the country, there is a serious congestion. There many families have found themselves located upon land that is insufficient, either in quantity of acres or in fertility of soil to support the population. Yet in these particular sections, occurs a most noticeable tendency to cut up the holdings still further. That brings about a peculiar situation, whereby a large proportion of the people in these districts are really farm consumers, because they must be supported from other sources than their holdings. They move annually from the western districts to the richer lands of Scotland and England, where they work on the big farms. They usually stay about 5 months of the year and come back to their little cabins with their small hoards to spend the winter. The straggling crops which they have planted in those sections are cultivated by the women and the children, to be gathered by the men when they return.

Problem of Expenditure in Congested Districts Like City Laborers' Problem

So we may see that in these districts, one has a problem in the disbursement of family funds, rather than in the increasing of family income; for these people are in a position analagous to that of the wage laborers of our industrial centers. Their chief concern is getting enough money together for a living, then cutting the cost of this living down to a minimum. How different is that problem from the one that faces the American farmer, who, because of the unformed, unorganized conditions, still has the problem of increasing his income and is not overly burdened with concern as to its expenditure.

Yet in the "Western World", as the natives call that section, there is a keen hunger for land. Families are crowded on rock-ribbed, barren coasts; one will pass holdings where attempts have been made to build the land out into the sea. The seaweed is gathered to build soil, and the kelp is burned to eke out family incomes. But the right to land,—to a piece of the land,—is clearly the strongest demand of the Irish heart, and the tragedy of Irish life concerns itself largely with the leaving of the neighborhood where the Irishman was born.

On all sides one is conscious of poverty, of depletion, of filth and of ignorance. Such scenes strike one to the heart as the price,—the fearful price—that Ireland has paid in her 7-century-old fight to regain possession of Celtic soil, to make a first step toward national unity based upon economic freedom, and to seize a fighting chance for political autonomy.

A National Dramatic Struggle

The grim paradox is that Ireland has reached the depths of her shadowed valley and begun the long ascent toward the National Ideal. She has re-gained the land; the people who were originally dispossessed have come into their own. As a result, everywhere one may find the germ of change, of re-awakening; everywhere one may sense the dawning of the Irish Renaissance. We may indeed with some aptness, picture this fight of the people as a national dramatic struggle in which the fight for the land is the enveloping action, while out of it, now that it is settled, have sprung 3 young, fighting forces, struggling with the Past.

The first of these forces at the command of Young Ireland, is the economic force. It is symbolized by the coöperative movement which has flowered into over 1,000 organizations, representing over 100,000 farm families.

The second force is that movement to bring up the living standards of the Irish home. It concerns itself with the training of Irish women in the household arts, in the reviving of ancient industries and the application of modern methods to those arts which women were wont to follow. Technical instruction is furnished by the Congested Districts Board and by the Department of Agriculture and Technical Instruction, but the live, vital, fighting force, consists of the women of Ireland themselves, who are organized under the name of The United Irish Women, to prosecute a progressive campaign of propaganda.

This society sends organizers into the districts to do work that is complementary to the work among the men which is done by the organizers of the Irish Agricultural Organization Society—that splendid dynamic of the coöperative movement.

The third force to fight the Past, has to do with the enlargement of the ideals of Irish life, with the renewing of the fountains of inspiration, with the reviving of Irish customs and the Irish culture. In fact, it is this force that represents in a large measure the spiritual ideals implied in the other 2 movements. This work is carried on under the leadership and direction of the Irish Gaelic League, though associated with it are other movements, such as the national drama movement.

The forces of the Past so reluctant to loose their grip over Ireland, may be characterized as ignorance, dogma and graft. Ignorance leaves the people untrained to find a place for themselves in the economic world. In fact, few of the immigrants of Irish birth who come to America, have any qualifications for life beyond their individual intelligence, and their quick intuition. Dogma is personified by the power the religious machines have over the lives of the people. Graft has its outward front and shameless face in the political machine which, originally built up on the basis of the land struggle, today is in the hands of what in the main is an avaricious leadership. It is controlled by the middle men and the liquor sellers. It seizes every opportunity to strengthen itself at the expense of Irish political institutions and the cost of the British Crown.

The interlocking of these 3 forces opposing progress is so intricate that it is difficult for one not Irish born to determine their beginnings, or to follow their windings through the mazes of Irish life. Their strength is great and they must be considered, although they are retreating as the dawn breaks on Erin.

How the Irish Land Policy Was Born

I would call your attention to the remarks of a few moments ago, where reference was made to the prostration of Ireland that followed the potato famine of 1845–49. In the period between the famine and the establishment of the Irish Land Court in 1881, a series of peculiar cropping years occurred. One or two good years would be followed by a crop disaster. One or two bad years would be followed by a good crop.

Now in those days, the written contract was almost unknown. The standards of living of the landlord class were rising and their costs grew higher as the standards rose, so the heavy hand of the rent charger was felt in the land. The rents were raised in the good years, and in the bad crop years, the tenants could not pay their rents, nor would the succeeding good years enable them to catch up. So it came about that within a 15 or 20 year period, many tenants in the richer lands were so in arrears that they could not possibly meet their debts to their landlords were they to live a generation beyond their natural span of life.

Such a condition of ''rack-rent'' was hard enough to bear in the South and the North, but in the West of Ireland, the plight of the tenants was pitiable indeed. The reaction brought about destruction of property, neighborhood revolutions, and, in many cases, assassinations of the landlords. It is not surprising that secret bands should have been formed for the freeing of Ireland from the tyrant England, when England was symbolized by the local landlord. The young patriots of that day secured their training in the ''hedge schools'' taught by expunged priests, and it may be surmised that here could be found brewing that great alliance which cemented the Catholic church to the Nationalist party and forced the issue into Parliament for land reform.

Fighting with every implement at hand, these ardent parliamentarians finally drove a broad axe into the English consciousness which resulted in the beginnings of real legislation. Gladstone at last grasped the principle that conciliation and restitution alone could win Ireland for the British Empire. With that broad concept, and with his far vision, he championed the first great land reform law, introducing with it a principle of legislation that must seem arbitrary and socialistic to the American who has been reared in the shadow of our federal constitution. Later statesmen were to elaborate these land laws until the British land policy for Ireland has developed into 3 broad lines of effort. These lines concern themselves with:

(1) Caring for the self-sustaining tenant;
(2) Caring for the uneconomic tenant; and
(3) Caring for the agricultural laborer.

At this point, we should remember that the term ''self-sustaining'' or ''economic'' farmer, as interpreted by English economists, is a man who lives on a farm of sufficient size and fertility to support his family in comfort. An ''economic'' farm has been defined a little closer to include the farm that will actually give a living to a small family.

Caring for the Economic Tenant

With characteristic British policy, Gladstone set to work on plans to settle the immediate struggle between landlords and tenants. That struggle for years had concentrated around the three things which are famous in Irish life, in Irish land struggle. They were:

1. The desire of the tenant for fixity of tenure. He wanted to know that he could not be thrown off his land, provided he paid his rent.
2. The desire of the tenant for the right of free sale. There had grown up in Ireland the feeling among the tenants that they possessed an ownership of the improvements and an ownership in the added fertility to the soil as a result of their occupancy. Tenants, therefore, desired the right to sell their part of this title to the land, without regard to the wishes of the landlord. In this connection, it should be remarked that in nearly every instance the Irish tenants were compelled to put the improvements upon the land and such improvements represented practically no capital outlay by the owners.
3. The desire of the tenant for the right of paying a fair rent for the land he was farming.

To bring about amity on these points, Gladstone secured the passage by Parliament of the act of 1881.

But another reason lay behind the passage of this act. It had become almost impossible for the tenant to go into the ordinary courts of Ireland and secure justice when arrayed against the landlord. Indeed the courts of Ireland at that time, with regard to the land question, like the American courts in the cases of Capital vs. The People, had become an umpire between the strong and the weak, with the decision usually going to the strong and against the weak.

It therefore became necessary to introduce into the trials of land-rent cases, a third element,—the power of the court to investigate, independently of either of the contesting parties, the merits, of a land-rent case, and to decide, as the result of this investigation, modified by the court's opinion of the evidence of the defendant and the plaintiff. The trial of such cases was also taken out of the hands of the civil courts and vested in a special land court.

It may be that this Gladstone idea has had something to do with the desire for commissions which America is trying to establish at the present time, when so many of our courts have broken down, making it necessary for the creation of administrative bodies with judicial functions. At any rate, this economic court consisted of legal commissioners and of lay commissioners. It went about from place to place and held hearings. The landlords came out and gave their evidence. The tenants came out and gave theirs. Then the court went away to hold a hearing at another place, but while the court was sitting at some other point, investigators followed in its wake and checked upon the evidence submitted by contesting parties. At a later time, the court would return to the place where hearings had been held and would render decisions. These decisions would then be binding upon landlords and tenants as the terms of their contract for a period of 15 years.

Why the Land Courts Reduced the Rent

Now the effect of the first decisions in this land court was a sweeping reduction of the average rents in Ireland of about 28 per cent. Why did the courts reduce the rents? It is evident that when a court enters into the consideration of an economic question, it must take into account factors other than may come within the province of the courts of law. In the old way, the court of law acted upon the assumption of theoreticians of the past, to the effect that competition in rent is the natural basis for fixing a price. In other words, that the theory of supply and demand ought to work to the satisfaction of both parties.

But the Gladstone courts worked upon broader principles; went down to bedrock conditions and inquired into the standard of living of a tenant family and into the earning powers of the soil which the tenant family was working. Their decisions were based upon the desire to improve the general social conditions, rather than the staying of the unrest. The significance of that method cannot be over emphasized, for it amounted to a declaration of rights for the common people and it challenged the ethics of the legal theory of supply and demand.

Reactions From the Rent Reductions

As soon as it became apparent that the New Justice was in the land, and as soon as the landlords saw that the rents would undoubtedly be reduced still farther, these landlords, many of whom were living in England and whose scheme of life had been for generations based upon assured incomes from rents, seeing their incomes shrinking, began to prepare themselves for their doom. They said to themselves, "We must get rid of the land;" for the land now represented a capitalization that was rapidly shrinking. But when they came to sell their land, they were in a quandary; for there was none to buy except the tenants. Indeed, it would have been dangerous for any except the tenants to have attempted to buy.

Now the tenants had no savings wherewith to purchase land, nor could they be expected to make payments any greater than their former rents had been. With this realization coming upon them, the landlords did a strange thing. For that matter, the tenants did a strange thing. *For the first time in the history of Ireland, the landlords and the tenants found a point in common,—a point of joint effort and of agreement.** As the landlords wanted to get rid of the land, and the tenants wanted to get rid of the landlords, the factions joined hands and worked through Parliament the bills which were later to develop into the great purchase policy whereby the British crown became the agent to float and administer the hugest real estate transaction in the history of all the world. By virtue of these bills, the powers of the land commission which had been created by the act of 1881, were extended to permit that body to purchase land when owners voluntarily agreed to sell. The commission then resells that land to the tenant population. This work is under the direction of a branch body known as the Estates Commissioners.

How the Land Commission Does Its Work

To carry out the transfer of so much land is a complex task and it requires a great staff of experts to do the work of the commission. The corps numbers at times as high as 600 employes, and it requires several buildings off Merrion Square in Dublin to house the clerical force. The men employed embrace a variety of activities and handle every conceivable problem that could come up in the tedious process of winding up an estate.

How such an estate is handled is a very interesting study, and can only be gotten by a visit to the commission itself, where one will find two-thirds of the farms of Ireland are already mapped, with all kinds of notes as to the history of the properties. But, we will say, for example, that Lord B and 40 tenants have reached an agreement whereby the tenants will purchase the farms, if the government will back the transaction. Lord B, who would like to get his money ''right now'' lodges with the commission what is called an ''originating application.''

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* The first public expression of this union of forces found itself in the Land Conference of 1902, called by Captain Shawe-Taylor, which met in the Mansion house at Dublin and formulated the principal provisions of the Wyndham Act of 1903.

With this application are maps, a description of the necessary schedules of tenure, the titles and agreements, and the names of the tenants who will do this purchasing. From this time on the collection of the rents is placed in the hands of the land commission. This collection is on the basis of the proposed annuity of 3½ per cent which in a 69 year period completely absolves the tenant from any obligation. Different acts prescribe other ways, but, this has been the prevailing method.

The originating agreement is lodged with the vesting department of the commission to be checked. The purchase agreements are lodged with the purchase and sales departments to be registered. They are then transferred to the collection branch to be dealt with.

Disposing of Title Problems

The maps and agreements are sent to a surveyor, who makes a visit to the estate and carefully checks the boundaries, looks up the occupants, etc. His notes are then returned to the mapping department for a revised map. The documents are then sent to the inspection department of the valuation department which sends an inspector down to make a general report on the estate and on the security for advances applied for. Among the points considered here are turbary questions, subtenancies, embankments, ancient monuments, rights of way, fences and miscellaneous matters as affect tenants, etc.

All title matters and legal matters are submitted to a special legal department composed of skilled counselors, who advise the commissioners in order to secure them against loss. The purchasing department then organizes the material and prepares it for submission to the commissioners. The commissioners take the report and final recommendations of the department and submit it to a thorough catechism. This brings up queries for the vendor's solicitors to answer.

After all matters are disposed of by rulings of the commissioners and all grievances discharged, the purchase is sanctioned by the Estates Commissioners.

The judicial commissioners now sit and, after examining the case, direct that the payment of the purchase money be made either to the owner or to the persons entitled to it. The vesting office draws a check and lodges the money in the bank of Ireland to the credit of the estate. The purchase agreement now becomes a vesting order. It goes back to the recorder, who notifies the registration office of the transfer and makes a complete destription. (The registration or title office has a function to register all the land in Ireland that has been sold under the various land acts.)

Creditors and claimants against the estate are disposed of and whatever remains goes to the owner in accordance with the English law determining transferance and inheritance of property.

In many ways the land commission has departed from hidebound rules and methods in handling so difficult a question as the re-organization of one of these estates. Each question is judged on its own merits, and the commissioners do not hesitate to depart from the established precedents when justice demands such a course.

Of course many difficulties have presented themselves, and not the least troublesome has been the point as to who might be entitled to land. As there is not enough land to go around, some method had to be devised as to preference. I will not attempt to name the order of preference, but, first of all, the tenant on a farm was considered to have the first right to it. The near of kin, evicted tenants, and sons of evicted tenants came in for their rehabilitation. Nothing is more indicative of the Irish temperament than the stories of individuals who have laid claim to land because their fathers had been evicted. In many cases, Irishmen living in America or the colonies, have returned to assert their rights to the plots of land from which their fathers had been turned away by rent collectors of old time.

Settling a Tender Question

How anxious was the government to bring about an amicable settlement of the land question and also care for the welfare of all persons concerned, may be seen by the landlord's bonus provision in the Wyndham Act of 1903. This act was passed with a view to encouraging the voluntary sale of all the large estates to the land commission, so that they could be resold to the tenants. Under the terms of the act the commissioners were required to make advances to tenants in all classes where a 69-year purchase would bring the annuities to between 10 per cent and 40 per cent under the former annual rents. Should the tenant be operating on the "first term" decision of the land courts, the reduction cannot be less than 20 per cent nor more than 40 per cent. Should he be farming under a second term decision, the reduction must be between 10 and 30 per cent. But what about the landlord? In order to reimburse him against too disadvantageous a bargain, the estates commissioners were empowered to pay as high as a 12 per cent bonus for the land, above what they sold it to the tenants on the annuity plan. It was another manifestation of the British principle of settling difficult points as they arise, and settling them in a way to satisfy all parties. While the tax payers had to stand that loss, they government authorities felt it to be a wise provision in view of the social benefits that would accrue to the island.

On the whole, the land purchase idea worked a great gain to the former tenants, as the average reduction which the annuities effected, based on 3½ per cent interest, was from 15 to 40 per cent under the former annual private rents. In many cases this difference amounts to an annual saving that is banked or used to restock the farms with equipment or with beasts.

Helping Farmers in the Congested Districts

For the economic tenants of the richer portions of Erin the principle of voluntary sale of land by landlords was deemed sufficient. It was adequate because the lowering of the annuities quickly affected the rent price of land unsold, and rents came tumbling down over the whole island. But for the western parts of the country, where the population was overcrowded, an entirely different set of conditions existed and a further advance in the principles of social legislation was necessary. That advance was the assertion of the right of the state to acquire land compulsorily from the landlords and do what might be deemed necessary to secure the individual happiness and freedom of the people.

The condition of the West is such that often, even now, on one of those old estates a single tenant might have 25 or 30 little holdings, scattered over a mile radius, but not totaling over 5 acres. In the past the most marvelous splitting, scattering and mixing of tenant holdings prevailed. It was a survival of the old Rundale system of tenancy, mongrelized by bailiff graft.

It was recognized that a readjustment of this population would be sure to result in an improvement of the conditions of life. But readjustment in a purely Celtic community is a process not so easy as the uninitiated might suppose. On account of Irish sentiments and Irish prejudices, the shifting of families would be next to impossible unless the state had the power to force the landlord to sell, and to move the population anywhere it pleased.

To carry out that great social scheme, Parliament created a separate body known as the Congested Districts Board. It vested in the board an unusual power; but the board is careful not to exercise it, except in cases where there is the greatest need. The officials appointed are selected for their tact and for their sympathy with the people and the situation. This board has not only the power to force the compulsory sale of the land and to redistribute the population, but it has the further power to reclaim waste land, to improve the agricultural land, to resurvey and re-allot holdings; to built schools and houses for the people, to lend money individually or to groups of farmers for productive purposes, to train the people in the industrial arts and to revive the historic occupations of the country.

Under the able administration of Sir William Doran, the board is carrying out a gigantic rebuilding of a large area. For a number of years, the money spent in the doing of this work has in itself afforded an occupation to a large number of peasants. The board has changed the face of the country with resurveys but it has encountered much opposition, particularly with regard to its power to force the sale of land. Yet the highest court in England has recently sustained the compulsory power of the board by its decision adversely to Lord Clanrickarde, who was the last of the big landlords to fight the government in its attempt at restitution. This case had been pending for many years. The decision of the House of Lords is a historic one, insomuch as it is the final word upon the power of the state to appropriate private property for a social purpose.

Transforming an Estate in the Congested Districts

The board condemns estates one at a time. Public valuers arrive at a decision as to the amount to be paid the landlord. The tenants on the estate, during the process of its re-organization, become tenants of the board. The first operation is to inspect the estate. The second is to resurvey, with a view to ascertaining how many holdings of decent size can be allowed.

On all of these large estates there are tracts of waste land and tillable, but uncultivated land. The board surveyors lay out the estate, providing for adequate drainage and for the necessary roads. They make it a policy to employ from the estate all of the unskilled labor that can be utilized. During the course of this employment, the representatives of the board become as friendly with the tenants as is possible. The board usually picks some of this unused land and builds a few houses that will last a hundred years. With much tact and with a fine use of the principle of indirect action, the board persuades some of the tenants to leave their holdings and take up residence upon the new plots. As soon as one family gets started, it becomes easier to move the next family, so that in the course of from 5 to 15 years, a readjustment has taken place somewhat approaching the ideal of the first survey.

A Little Tact and a Lot of Commonsense

But the board often encounters obstacles and obstinates. There is frequently a great protest over the character of the new houses. In several instances that I ran across, the tenants who had been accustomed to live on dirt floors with the floor at least a foot below the entrance to the dwelling, protested mightily because the board had built a substantial floor a foot above the surface of the earth. In such cases, it is not unheard of for the family to begin shoveling up the earth around the cottage until they do away with the little step that leads up.

Both the board and the Estate's Commissioners find that the settlement of turbary rights, (the rights to cut the turf,) is a matter that requires much tact and no little time. At first the board turned over these matters to the tenants to settle for themselves, but it soon became clear that they would never agree, as each thought the other fellow might get a bigger selection of bog than himself. So the board now handles these matters.

The board has also "striped" the mountains, and each family knows what part of the mountain goes with its agricultural holding.

This work has been going on for two decades or more, and it will probably require another two, before the board completes its task of allocating the families.

It has been urged against this work that it develops too great a feeling of dependence of the people upon the government. I have no doubt that this is true to some extent; but the work of the board is based upon the idea of aiding the people to the point where they will become self-supporting and in no sense can its activities be interpreted as charitable. It is really state aid to a submerged population, and that state aid automatically stops as the population rises above the poverty line.

Results of the Irish Land Policy

What are the benefits that have accrued to the people from state-aid? Was it worth while for the government to put its credit behind this mammoth real estate deal—the biggest in the world?

The transaction already represents the transfer of a billion dollars worth of property. Viewed in terms of statistics, who benefited?

In 1876, over half of the land of Ireland was owned by about 700 men. In 1906, there were 172,548 owners and 422,796 tenants. In 1913, there were 401,819 owners and 216,255 tenants. In 1915, over 450,000 farmers owned their homes and that represents two-thirds of all of the land in Ireland.

Among the benefits that have come from state aid to land settlement are these:

1. The industry of occupiers of the land has increased.
2. Farm houses and farm outbuildings have improved.
3. The tendency to sell interests in land has decreased.
4. The tendency to sublet and divide holdings has become almost dormant.
5. The solvency of the occupiers has improved. They are now more cautious. Many in County Mayo pay cash for fertilizers and the ''gombeen'' man has tended to disappear. The gombeen is the little sharper. He is sometimes a trader and sometimes a private money lender. The ''gombeen'' man is so known from ''gom'', a fly, and ''een'', little. His type is decreasing in almost every section of the country.
6. The care by the tenants of the soil is most noticeable. This is reported by almost every inspector. Almost every administrative worker under any of the departments who has had anything to do with land purchases has noticed this.
7. There is a tendency for better occupiers to go on the land. The insolvent tenants are eventually forced to sell their inter-

ests and to depart. Therefore, you will see that quite a survival of the fit is taking place there among the tenants.

8. There is a feeling of contentment, an absence of fear, while there was a great deal of fear in the country districts before; a prevalence of law and order that did not exist under landlord and tenant relations.

9. Livestock and working capital on farms have increased. In many cases this represents the difference between the former rent and the present annuity.

10. Agitation has tended to die.

Who has benefited most by this policy? Commissioner Bailey, the directing genius of the land commission, said to me that it is the man who has purchased a holding of sufficient size to occupy all of his time and energy with some aid from the family, but no more than this.

The Big Thing Behind the Benefit

Yet there is a greater benefit than what might accrue to any person or class. It is the social benefit that comes from peace and a prospect of amity in Irish-English relations. The true significance of this may be caught only by recalling that, to the Irish tenants, England has meant but two things—a power over them, wresting a profit from them. To the tenant, the police have symbolized the power and the absentee landlord the profit-taker. So deliverance to the Irish has come to mean ownership of their land and home rule so that they can select their own police. But the keenest desire has been for ownership of the land. Now, as England has changed her policy of suppression to one of restitution, and her policy of oppression to one of conciliation and assistance, a psychological change must take place in the Irish nature. As the landlord vanishes from Irish life, the desire of the peasant for home rule becomes modified to an impersonal ideal. " 'Tis a private quarrel anyway," thinks the Irishman, and when a crisis arises, he is found fighting side by side with his English brother. So to understand the loyalty of the Irish in the present war, we must go back to the Gladstone act of 1881.

Criticisms of Land Purchase Administration

Some criticisms might be made of land purchase administration though I hesitate to suggest them, as a 4 months' study in the field does not fit one so well to criticize as it does to find the good points. But I will give you the benefit of the criticisms which were made to me by the people who make their home in Ireland and apparently understand the situation, and some of the criticisms made by persons connected with the administration of the acts.

It was said that some occupiers have been placed upon land which was not sufficient in size or fertility to support them, while other occupiers have had enough land but were not provided with sufficient working capital to get the best returns. In the congested districts the tendency was noticeable for the people to depend too much upon the government doing things for them.

There are also some obstacles. The tenants think that tax rates are a little high. The term "tenant" here should be explained because the tenant-purchasers consider themselves tenants of the farm until they get their land paid out. This land is paid out upon an amortization plan, based upon 3½ per cent interest, as a rule, which requires from 65 to 69 years to obtain free title. Of course the farmers also complain of the rise of wage labor prices. They claim that it has risen over 300 per cent in the last four decades while the quality of the agricultural laborer of Ireland is said by them to be very inferior to what it was in the past.

Caring for the Agricultural Laborer

We have seen how the government has cared for 2 important classes of its farm population. These 2 classes have secured all the available land, but there remains a surplus rural population in Ireland for whom there are no farms. This surplus constitutes the agricultural laborers of whom there are over 200,000 in that country. The policy of the government has therefore shut off, for about 100 years, this class from becoming home owners. The rate of wages paid is so low that subsistence is the aim of that class. Between the employing families and those laborers there has arisen a kind of conflict by virtue of fact that, in the past, the farmers have housed and boarded, in the main, their help. The laborers have complained as to the character of the housing and of their insecure lot in life.

In order to care for this class and put them in a position whereby they can bargain with the farmer on terms more resembling economic equality, an entirely different set of social legislation became necessary. It was conceived that if laborers' cottages were built at convenient points and if to each of these cottages were attached a little plot of land for garden purposes, it would put the laborer in a position much better than he possibly could be, under the old system of hiring out. Accordingly, Parliament has vested in the county councils the power to condemn land for allotment garden purposes and to erect upon this condemned land substantial cottages.

This work is now taking place throughout the country and the traveller is greeted by the pleasant sight of building activities which often means that the laborer will live in better quarters than his tenant employer. These houses are rented by the county councils or by the urban and district councils as their agents, to the laborers at a cost which barely pays the interest and sometimes only pays for the upkeep of the places.

Whether this policy will stem the industrial unrest of this class is doubtful. Already there are signs of organization. The Industrial Workers of the World have been busy among them and the government may soon have to cope with further problems.

I would not claim that the British policy has been perfect either in its principle or its administration. There are still many unsolved questions. There will yet remain the question of the tendency to subdivide holdings when tenants have paid out their land. There will be continuous problems that arise from surplus population. But in a social sense, there are many good general results to be seen from this policy, chief among which is that it has made possible a self-help movement of an unpartisan character, that is flowering into a real Irish Renaissance.

Will Land Purchase Work in America

If I should be asked whether the policy described would work in America, I should answer that there are sections where no other policy except state aid could meet our problems. I believe that if this policy were thoroughly understood, it would find practically no objections by interests that are now lending money to farmers, by the owners of the land, or by the town population. It would certainly be a boon to the tenant who can only hope to pay out a farm by his annual rent. We should remember that the Irish system is based upon the idea of the rent payments being amortized through a long period to pay out the farm.

Now America has tenant farmers for whom if such a program is not prepared, there are but 2 courses open; either they must continue to rent the balance of their lives on a status similar to the wage laborer,—or they must give up tenant farming and go into other occupations.

Let us remember that land purchase policies are not actuated by the desire of inflating land values or of permitting private individuals to profit, but they spring from the conception that the normal adjustment of the population to the soil is the fundamental basis of social well-being. In this country, there is enough land unused to place every competent, landless man upon a farm. Yet there is no more free land, nor have our states or national government appeared able to grasp the significance of the trend of ownership in this country of ours.

American Land Question a Grave Concern

How keen is the need of America to fix upon some broad governmental land policy may be instanced by calling your attention to a few of the perplexing questions which beset us as a nation. The drift toward a concentration of land ownership is alarming; already one-fifth of the total area of the United States is owned by less than 2,000 persons. The holding of lands for speculative purposes has become an evil of menacing proportions. We have also a rapidly growing tenant farmer class; every third farmer in America works another man's land, while in the 26 states that produce the greater portion of our grain, dairy, perishable products, and all of our cotton, a condition of land tenure has come about that imperils the commonwealth.

Nor should we be too optimistic as to the less populated, developing sections of the country. In the Southwest, in spite of the greatest forced development of land sales to homeseekers, there are 2 tenant farmers who spring into existence for every 1 farmer who is able to purchase a home. When this condition is viewed in its relation to the speculative spirit, and when it is seen that in the richer farming communities, as in Illinois or the blacklands of Texas, the price of land has been arbitrarily raised so high that in most instances the profits of the farm will not pay out for the would-be purchaser, this question divides itself into 2 distinct programs with which our people must concern ourselves.

On the one hand, the tenant farmer of the richer sections must settle on the newer and less expensive lands. On the other, some sound policy of effecting a sale of the lands by the landlords and of turning these tenants into home owners, must be created.

The condition becomes more grave when we reflect that the settlement policies of the national government and the states, as administered, have not been successful in creating farmers, but have been most successful in encouraging farm speculators. Also in the irrigated sections where government development has cost huge sums of money, it is now apparent that the governmental policy of turning people loose without further assistance than the placing of them upon an equipped farm or upon a farm equipped with water, is always inadequate and sometimes cruel.

Without seeking to burden you by further portrayal of distressing conditions, I am constrained to present to you one or two different aspects of the problem. There are sections,—rich farming sections too,—where the farm population has reached its maximum and has begun to shrink. Here tenancy is growing rapidly indeed. There are farming sections that face a problem of a depleted and devitalized life. There is also growing up among us an oligarchy of the small towns who control the farm communities, both by virtue of land ownership and by the possession of a monopoly upon the credit facilities open to farmers. At the same time we must consider, when we view the landlord and tenant relationship, that in certain of the cotton states, the tenant has been removed from the historic position of being a tenant of the soil, to the the indefinable status of a "cropper" which, in reality, gives him about the same rights as a day laborer might possess.

Immigrant Complicates Agricultural Problems

Now there are other complicating features to the agricultural problem which necessitate our fixing upon a land policy. On the Atlantic seaboard, on the Pacific coast and along the Mexican border, the farmers find themselves face to face with a new condition. In the New England states, there has appeared an immigrant negro competitor of the Southern Europeans, who themselves are silently taking the place of the old New England stock. On the Pacific coast, the Jap, the Chinese and the Hindoo are assuming competitive relations with the native American farmers for the rent of the land. In the old Southern States, we have the inter-racial competition of negro and white man, and in the Southwestern States, a third element in the Mexicans, who, silently invading this country, are dispossessing both negro and native white farmers of the lands which they formerly rented.

Such, briefly, are some of the manifestations of change in agricultural America. Such conditions open the great question: what shall this government do toward moving the immigrants of other nations to the farms? What machinery shall be created and how shall this machinery be operated?

Basis for American Land Policy

There can be no argument against the fixing of a policy. In my own opinion, it must be based upon these assumptions:

1. That the free land is about gone.

2. That the shifting about of the peoples within our borders must inevitably grow less with the vanishing of the land.

3. That the farms of America should be owned by no one except those who farm them.

4. That land settlement involves too many issues of vital consequence to be conducted by private profit-seeking agencies.

5. That federal and state aid is the normal way of bringing about the needed readjustment of population to the land and the settlement of the land where there is no population.

6. That the responsibility of the state does not end with the placing of the tenant purchaser upon the land, even though the terms of the contract are for long-time purchase. I can conceive of no greater injustice to the tenant than for the government to adopt such a policy. A socially just method of administration will carry out a plan of assistance and instruction of the land purchaser in crop production, and possibly in the business side of marketing his crops and in the financing of his operations. This latter phase of advice may be in some sections better delegated to an extra-governmental agency, as it is done in Ireland, where the I. A. O. S. acts as the organization to instruct, advise and inspect farmers' coöperative societies.

7. That a sound and sane basis of valuation of land should accompany any scheme of state-aided land purchase, in order to prevent speculative attempts. Indeed this is at the very root of the evil in America, and should be undertaken, even though there were no demand for state aid. But with state aid, it becomes imperative, else the owners of land would seek to "water" their valuations in order to offset the proposed reductions in in-

terest. Such valuation power should be vested in public valuers, whose control should be exercised by governmental agencies not subject to local influence. The new-country custom of indiscriminate trading on rising land markets must be checked in order to bring the land back to its rightful use as a producer of wealth. Now, it is depressed or inflated in value by methods not less doubtful than the bucket-shop tactics of a few years ago. It is entirely likely that this needed reform may, after a careful investigation has been made, call for the doing away with the taxation of capital-valuation of land, and the substitution for it of income-valuation of land in the service of production, and of unearned increment taxation of land not in active use.

Undoubtedly there are great lessons to be learned from the experiences of other governments; but I maintain that the experience of Ireland has a direct application to the hope of America; because the Irish are so close in temperament to the prevailing American temperament, and the Irish plan has been worked out by a government whose ideals of personal liberty and social control are much the same as our own.

NEEDED STATE LEGISLATION TO AID LAND PURCHASE

HARRIS WEINSTOCK
Member California State Rural Credit Commission

I have been asked to talk on the question of "Needed State Legislation to Aid Land Purchase." This is a national Conference, and I take it, proposes to deal with questions of national import, but being unfamiliar with the conditions that prevail throughout the Middle West, and more especially in the East, relative to land purchase, I cannot discuss the matter from as broad a point of view as may be desired. I must confine myself to dealing with the Pacific coast conditions, and more especially with the situation in California.

Land Purchase Helped Ireland

As is well-known, for many generations the peasantry of Ireland was steeped in misery, wretchedness, poverty and degradation, due to the prevailing system of large landed estates with absentee landlords and farm tenants. These tenants had long since discovered that the greater their thrift and industry, the better their husbandry, the more they increased their own burdens, because the rental value of the land was dependent upon its productive value and the more that the tenant made the land produce the more he increased his own burdens in the way of increased rent. This killed within him his ambition, and made him shiftless and thriftless, with all their consequent ills. As pointed out by Harold Barbour:

"The country has appealed to God, to the state, to humanity, for sympathy, for aid, for dollars, and had become a mendicant among the nations."

And, as further pointed out by Myron Herrick,

"Nearly one-half of the inhabitants of Ireland had emigrated beyond the seas and most of those who remained were living in mud huts, or squalid hovels, inflamed with mutinuous rage against the government. The blight of the farming classes was the most wretched of all, for on account of their crude method of cultivation and marketing, foreign competitors were underselling them in the staple products for which the soil was best adapted and the meager gains was shared between the landlords and the 'Gombeen men.'"

As you doubtless also know a decade or more ago there was enacted by the British Parliament what has since become known as the "Irish Land Bill," which created a Royal Commission, with power to appraise the large Irish landed estates with their absentee landlords, to buy these estates at the appraised value, plus 12 per cent bonus, to subdivide them, improve them, and sell them to the Irish peasants, the government advancing the peasants 100 per cent of the purchase price, allowing about 70 years' time in which to make payments, on the amortization plan, with interest on the deferred payments at the rate of 3½ per cent a year, and in addition thereto, the government made personal loans to the tenants, on long time payments with low rates of interest, to enable them to purchase stock and implements, and furthermore provided them with farm advisers, in order that they might be able to convert their pasture land into tillage. During the intervening decade, and directly as the result of this remarkable paternalistic legislation on the part of the British Parliament, a revolution and an evolution has taken place. Over 300,000 wretched, poverty-stricken, discontented farm tenants have been converted into over 300,000 landed proprietors, filled with ambition and hope and thrift and industry. Jails, that in the past have, been filled to overflowing with agrarian criminals have, as I have seen with my own eyes, been converted into school-houses,—intemperance has largely disappeared among the Irish peasantry, and peace, prosperity and contentment prevails among them. What had been to Great Britain a serious and perplexing and menacing liability in the form of hundreds of thousands of discontented and embittered farm tenants have become converted into loyal and prosperous subjects. Ireland, from being the most poverty stricken and distressed land is today the most prosperous little country in all Europe. The Irish tenant, per capita, is rapidly growing to be the richest tiller of the soil in Europe. Ireland, with its milk products, is rapidly driving out of the British market the thrifty, industrious Scandinavian milk producer.

To those who say that legislation can be of little help to the tiller of soil and that governmental paternalism should be frowned down, because it tends to destroy individualism and personal initiatives, no more complete answer to their untenable criticisms can be offered than the object lesson which Ireland today presents to the world.

Two Kinds of Paternalism

It must be remembered that there are 2 kinds of paternalism,—a paternalism that helps and a paternalism that hurts. Any kind of paternalism that gives something for nothing and makes of the recipient a dependent is hurtful paternalism because it tends to destroy individual effort, but the paternalism that brings out the best in the individual, that arouses within him ambition and fills him with hope, and that by extending a helping hand enables the recipient to stand firm upon his own 2 feet, is a paternalism that should be aided and supported and encouraged.

England, in all its history, has never enacted a piece of legislation that has proven so helpful to the individual, so beneficent to the land, and so good an investment to the government as has the Irish Land Bill. In no other way could Great Britain have loaned its credit, as it has done in the case of Ireland, and received a greater compounded interest in the way of advancing the welfare of its people, adding to the strength and wealth of the nation and increasing the loyalty of its subjects as it has been able to do in the case of Ireland. Nor has this been in the nature of an act of charity upon the part of Great Britain towards its Irish peasantry, because the Irish peasant is expected to pay back at the rate of 100 cents on the dollar for everything that he has received. He must, in due course, return to Great Britain the money advanced in his interest, he must meanwhile pay the interest on the loan, and also the principal and interest advanced him as a personal loan, but he is permitted to do this on terms and conditions, that are no burden on Great Britain, and that make it possible and that bring out in his endeavor to return the advances made him the very best out of the stuff that God has put in him.

Fortunately, the people of this country are not in the terrible condition in which were the people of Ireland, and yet, unless some radical legislation is enacted, our American farm tenants,—many of them—are rapidly drifting into that same condition.

What the U. S. Commission on Industrial Relations Discovered

Let me further emphasize what I have already said relative to the increase in farm tenancy by quoting from the contents of the report issued under the title "Final Report of the Commission on Industrial Relations for 1915."

"Tenancy in the Southwestern States is already the prevailing method of cultivation that is increasing at a very rapid rate. In 1880 Texas had 65,468 tenant families, comprising 37.6 per cent of all the farms in the state. In 1910, tenant farmers had increased to 219,571, and operated 53 per cent of all farms in the state. Reckoning on the same ratio of increase that was maintained between 1900 and 1910 there should be in Texas in the present year, 1915, at least 236,000 tenant farmers.

"For Oklahoma we have not adequate census figures so far back, but at the present time the percentage of farm tenancy in the state is 54.8 and for the 47 counties where the tenancy is highest the percentage of tenancy is 68.13.

"Tenancy, while inferior in every way to farm ownership from the social standpoint, is not necessarily an evil if conducted under a system which protects the tenants and assures cultivation of the soil under proper and economic methods, but when tenancy exists under such conditions as are prevalent in the Southwest, its increase can be regarded only as a menace to the nation.

"The tenants having no interest in the results beyond the crops of the single year, the soil is being rapidly exhausted, and the conditions therefore tend to become steadily worse. Even at present a very large proportion of the tenants' families are insufficiently clothed, badly housed and underfed. Practically all of the white tenants are native-born. As a result of these conditions, however, they are deteriorating rapidly, each generation being less efficient and more hopeless than the one preceding.

"The average interest paid on all farm loans is 10 per cent while small tenants in Texas pay 15 per cent or more. The average rate of interest on store credit is conservatively put at 20 per cent and in many cases ranges as high as 60 per cent.

"As a result both of the evils inherent in the tenant system and of the occasional oppression of landlords a state of acute unrest is developing among the tenants and there are clear indications of the beginning of organized resistance which may result in civil disturbances of a serious character."

As the result of all the study and investigation and thought that I have been able to give to this problem of farm tenancy and absentee landlordism that has worked such havoc in other countries and that is working such havoc in various parts of our own country, the conclusion has been forced upon me that there is only one agency that can bring about a remedy and that is the government itself,—either the state governments working within their own territories or the federal government, or both. Nor need the state or federal governments of this country do any pioneering work in solving the problems. The pioneering has already been done by Great Britain in the case of Ireland, by Germany in South Africa, and by Australia and New Zealand. We need simply profit by their experience and adopt their tried, tested and successful methods, adapting them to our American needs. Perhaps the best model for us to follow in making it possible, more especially for the farm laborer and the farm tenant to become converted into a landed proprietor is that of New Zealand. As pointed out by Myron Herrick:

New Zealand Finds a Way Out

"New Zealand has a governmental department supplied with a capital fund of 30 million dollars by the issue and sale of government bonds drawing not to exceed 4 per cent interest. Sums not in excess of 7½ million dollars in any one fiscal year may be raised in this way for the operation of the office. The bonds are redeemed from a sinking fund created by contributions of one per cent of the principal of loans made from the proceeds of the bonds.

"Loans to settlers may be for 10 years or under at 5 per cent per annum or for 36½ years repayable by a semi-annual annuity of 3 per cent. First mortgages are always required for security; three-fifths of the value is the very largest amount which may be advanced on any property."

In Australia the system provides for the state buying the land that has been officially tested as to its quality, improving and subdividing it and selling it to the homeseeker, on a basis of a first payment of 5 per cent on the value of the land and a further first payment of one-third of the amount of improvements in the way of buildings, barns, stock, etc., made thereon, the balance is payable on the amortization plan at the rate of say 4 per cent interest, one-half per cent for cost of state administration and 1½ per cent. annually on the principal, making an annual payment in all equivalent to 6 per cent of the balance due for a period of 30 years, at the end of which time the debt has been wiped out.

Progress in Australia

Let me contrast the method of dealing with homeseekers, say in the state of California, with which conditions I am most familiar, and the methods pursued in Australia, in order better to illustrate our unscientific American method with its disastrous results and the scientific methods pursued in the Antipodes and the successful results there obtained. The method of colonizing in California, in more recent times, has been for a group of capitalists to come together, to subscribe to a fund, to buy a large body of raw land, to drain or to water it, as the case may be, to subdivide it and to sell it to homeseekers with say one-fifth down as a first payment, the balance payable in annual installments of 2, 3, 4 and 5 years, carrying from 6 to 8 per cent interest on the deferred payments. The theory of these capitalists has been that by such methods they could not only make a profit for themselves, find homes for desirable homeseekers, but add also to the welfare of the state. Practically, these plans have worked out about as follows: A body of raw land would be bought, say at a maximum valuation of $50 an acre, the cost of draining or putting water on such land would add $50 more to the cost, making it worth say $100 an acre. The records show that to market such land to homeseekers involves an expense of an average of 30 per cent on the selling price. The capitalists would justly feel themselves entitled, considering the risks involved and the labor and energy required, to a profit of about 20 per cent on the selling price. This would bring up the selling price to the homeseeker to a minimum of two hundred dollars an acre. Alluring and attractive literature would be prepared, setting forth the delightful climatic and wonderful conditions of California and the unusual soil possibilities of the commonwealth. Clever and attractive salesmen would be sent out, more especially to the Middlewest States, and untold numbers of desirable homeseekers, having at their command all the way from $1,500 to $5,000 would be induced to come to locate on these subdivisions. They were made to feel that if they had enough money to make a first payment on the land and the land itself would do the rest, so far as future payments were concerned. These homeseekers, as a rule, would consist of small farmers, professional men and small tradesmen, who were attracted by the salubrious climate of California, and by what they believed to be the great productive possibilities of California lands.

Rural Development Arrested in California

As a member of the California State Rural Credit Commission I attended numerous public hearings recently held in various parts of the state, in order that the members of the commission might at first hand get information concerning existing conditions and the need for a state rural credit system and state colonization plan. The testimony gathered at these public hearings has made it plain that California, at this time, finds itself in a state of arrested rural development. Most of the large colonization schemes that have been brought into life in the last several years have resulted in the loss on the part of the capitalists of untold millions. Our attention was drawn to one California enterprise alone, in the Sacramento valley, in which the capitalists within 4 or 5 years, had sunk over $7,000,000. Out of the hundreds of most desirable settlers that had been brought to this particular colony, some of whom have lived there 1, 2, 3 and 4 years, the testimony was to the effect that over 90 per cent were unable not only to meet their annual obligations for payments on the land, but even the interest on such obligations, that their little all had been consumed, that they saw nothing but ruin staring them in the face, with the ultimate end of returning to the cities and joining the ranks of the unemployed.

All this was the result, despite the fact that California soil is the richest in the world, that we have the finest climate in the world, that water for irrigation purposes is abundant, and that we have the world's greatest markets at our very doors, the hundred or more millions of consumers in America, to say nothing of foreign markets for California products, and despite the further fact that these settlers, as a rule, had body and brains and energy and character.

The cause of the failure, therefore, was not the conditions in California nor the ability of the settlers, but was due to an insane and unscientific system.

Contrast these methods and their results with the methods and results, for example, pursued in Australasia. In Australia, the state itself sends out its soil experts. When these experts find a body of suitable land the state buys this land at the lowest possible price, drains or waters it, as the case may be, puts it into a tillable condition and sells it to selected colonists, at actual cost accepts as a first payment 5 per cent of the cost of the land, plus one-third of the cost of the improvements, with interest at 4 per cent on deferred payments, plus one-half per cent for cost of, state administration, plus 1½ per cent on the principal, making an annual payment of 6 per cent, which payment in 30 years wipes out the debt. In addition to this, the Australian state furnishes to the homeseeker a farm adviser, who keeps the settler from making the blunders of ignorance in planting the wrong thing at the wrong time in the wrong place. Now, contrast the difference in the possibilities of success between the Australasian homeseeker and the California homeseeker. The California homeseeker starts out with these disadvantages,—first, not being a soil expert, and the capitalists who promote the colonies not being soil experts, it is quite possible that both the capitalists and the homeseekers are deceived in the quality of the land, and that the settler finds himself in the possession of land unfit for the purpose for which it is intended; secondly, the California homeseeker has paid a minimum of $200 an acre, including the cost of selling and the profits of the capitalists for land worth, in its raw state, say $50 an acre; third, having no farm adviser to guide him and having little or no experience of his own, he is liable to plant the wrong thing at the wrong time in the wrong way; fourth, to win out, the land, especially during the first several years, must produce enough to enable him to pay, say a fifth of the purchase price, plus the maximum rate of interest on the deferred payment, plus enough to support himself and family.

Experience has shown over and again that there is no land in California, or elsewhere, that can do this. The result is that having invested all his capital in his first payment and in his immediate requirements, when the day of reckoning comes to meet his second or later payments, he finds it impossible to do this, and he is then at the mercy of the owner, who, for a time may bear with him but who, sooner or later, is obliged to take back his land, while the settler finds himself penniless and homeless.

Now, compare this situation with that of the Australian homeseeker. First, he is protected against getting unfit land, by virtue of the fact that the state itself has had the land examined by scientific men, and practically stands behind and guarantees it; secondly, assuming that the state pays as much for the raw land as the private capitalist, say $50 an acre, and that it cost the state as much per acre to drain or water it as it did the private capitalist, that would make the land cost the state $100. This would be the price paid by the homeseeker in Australia as against $200 an acre paid by the California homeseeker, the difference between the $100 and $200 an acre being the selling cost of 30 per cent on the selling price and 20 per cent profit on the selling price added on by the capitalists on the actual cost, so that in this thing alone the California homeseeker as compared with the Australian homeseeker starts out handicapped by paying $200 an acre for what, under the Australian system, would cost but $100 an acre; third, Australia furnishes its homeseekers with farm advisers who take the inexperienced settler and teach him how to plant, what to plant, and when to plant it, and who, in due course, convert the untrained tiller of he soil into a scientific farmer; fourth, in place of being faced with an annual payment for the first several years of say one-fifth of the purchase price of the land, plus a maximum rate of interest on deferred payments, the Australian homeseeker is called upon to pay only 6 per cent a year to cover interest and principal, and is never faced with any lump sum payment, as is the California settler.

Defects of California Plan

To make a still more striking comparison, let me present a concrete contrasting illustration. Let us start out with a 20-acre purchase, on the theory that 20 acres intensively cultivated would support a family in decency, either in California or in Australia, and let us take in both instances settlers who have a fund of say $2,000 representing their lifes' savings. The California homeseeker would pay $200 an acre for such 20 aces, making his cost $4,000. The records show that it would cost him about $4,000 more for his house, barn, stock, team, implements and utensils, making in all $8,000. He would be called upon to make a first payment of one-fifth on his land purchase,—that would be $800. This would leave him a balance of $1,200 with which to meet an investment of $4,000 for improvements. He would, therefore, have to pay the highest price for these improvements, if he could get them on credit, with top-notch interest rates, because of the slender financial foundation of $2,000 to carry a total investment of $8,000. The balance of $6,000 would be due and payable, more especially for the improvements, within a few brief years. Under the most favorable circumstances, it would be almost impossible for him to meet these obligations within the required time, and if he would be unfortunate enough to make serious mistakes in planting or in cultivation, or if he should meet with one or more bad years in the intervening period, in the language of the "Greek" poet, "He would be up against it;" he would not only be at the complete mercy of his creditors but would find himself in such a hopeless condition financially that there would be no alternative left for him other than to do what thousands of his predecessors were obliged to do, and abandon the whole thing and return to the city a wiser and sadder man.

Advantages of Australasian Plan

In contrast with this, the Australian homeseeker would be able to buy his 20 acres of guaranteed land at $100 an acre, involving a gross investment of but $2,000 for his 20 acres, on which he would make a first payment of 5 per cent, equivalent to $100. Assuming that his costs for improvements would be just as great as for the California settler, say $4,000 and that he would be called upon to pay one-third as a first payment, amounting to $1,333. His total first payment, therefore, would be $1,433, leaving him out of his $2,000 a cash reserve fund of $566. Thereafter he would be called upon annually to pay say at the rate of 4 per cent interest on the balance, one-half per cent for state administration, and 1½ on the principal, making 6 per cent in all, equivalent to $274 a year, or a little less than $23 a month, principal and interest. Furthermore, his farm adviser would guide, direct and instruct him in how to do scientific farming, and the great danger, as the result of ignorance, of becoming a failure, through lack of agricultural knowledge, would be averted. Unlike the California settler he would not have staring him in the face a lump sum payment impossible for him to meet. He would never have to pay more than $274 a year, say for a period of 30 years, when his obligation would be wiped out, and so long as he could pay this trifling amount of $23 a month, he could never be dispossessed, and he would, therefore, be enjoying a peace of mind and a feeling of certainty in striking contrast to the constant anxiety and feeling of uncertainty that must fill the mind of the California homeseeker living under the conditions above described.

Australian Plan Meets Criticism

The only arguments that can be raised against the state entering upon the Australian plan are: first, that it would be likely to become a political undertaking to be managed and controlled by political hirelings, chosen because of their fealty to a political party and not because of their fitness, all of which would spell to the state inefficiency, incompetency, if not disaster; secondly, the risk involved on the part of the state in the event of the homeseeker's default.

So far as the first criticism is concerned, that of its likelihood of the control and management of such an undertaking getting into the hands of unfit political hirelings. I am free to confess that I should not advise a state colonization plan for any state that is still under boss rule, because the worst is likely to happen, and the criticism made would hold good. But in such states as have been able to unhorse the political boss, as happens to be the case in my own state of California, there is no reason why the conduct and management of the state land colonization plan cannot be conducted as efficiently and as honestly as in Australia or elsewhere. For example, these very criticisms of possible political mismanagement were directed in California against the state engaging in the industrial accident insurance business. It was pointed out that the insurance commission, in all likelihood, would be political appointees, chosen because of services rendered to the party rather than because of their fitness and that such appointees woud be in no position successfully to compete with the scientifically trained men managing the private stock insurance companies, and that, therefore, the state would find itself hopelessly involved, with failure facing its efforts. It is quite likely that this dire forecast would have been fulfilled had California, for example, still been under the heel of the political boss, but living, as we do in our commonwealth, under the highest form of democracy, having the system of nominating primaries, enjoying the privileges of the recall, the initiative and the referendum, we have been able to elect a fearless and an independent governor, who made his appointments on merit, and not because of political obligations. The result is that during the life of the state accident insurance commission it has been able to do its business at a cost of about 10 per cent, whereas the private stock companies have expended for operations about 40 per cent. The difference in cost speaks most effectively for the honesty and high efficiency of its early critics. This saving of 30 per cent in the cost of operations in the state insurance fund has been divided between its policy holders and its reserve fund, and has been an effective object lesson that under a democracy pure and simple American states can and do conduct their public affairs as honestly, as efficiently and as economically as they are conducted in Australia and elsewhere.

Now, so far as the second criticism leveled against a system of state colonization is concerned,—that of the risk involved on the part of the state, the answer is that in place of a system of state colonization proving a possible loss it has, in Australia especially, proven a decided source of profit to the state. For example, in New Zealand, one-half of one per cent is added on to the interest rate to cover the cost of state administration. The records show that it costs New Zealand 17 per cent, just about one-third of the charge made. This surplus of about one-third of one per cent profit to the state has not only paid any losses which might have been sustained, in the way of defaulting colonists, but has left the state a surplus fund of about one and a half million dollars since the system has been in operation.

If, under the plan, the colonist should be called upon at any time to pay a large lump sum or forfeit his rights, there would be danger of the state being obliged more or less frequently to foreclose, but in view of the fact that under the system the homeseeker is never called upon to pay more than an amount per year equal to 6 per cent on his liability, the likelihood of his ever defaulting on this small annual payment, as has been shown by experience, is extremely remote, and even if he should default at the end of several years, the margin retained by the state of one-third on the improvements and 5 per cent first payment on the land, plus the accumulated amortization payments on the part of the settler, plus the likelihood of an enhanced value of the land, is much more than enough to secure the state against any probable loss.

A Plea for State Colonization

My plea, therefore, is for state colonization to be adopted by all states where the political system is as purely democratic as it is today in the State of California. I believe that the adoption of a state colonization system will enable homeseekers to become successful farmers. I believe that a state colonization system will bring about a marked change in the existing contrasting situation between say California and Australia, which at present reads about 85 per cent of colonization successes in Australia and over 90 per cent failures in California colonization.

I believe that a state colonization system will prove the only effective cure for the growing evil in our country of absentee landlordism and farm tenancy, because it will enable the more thrifty and industrious farm tenants who can save a few hundred dollars to become converted, as they have become converted in other lands, into landed proprietors, with all the blessings that such landed proprietorship means to them and to the nation.

I believe that a state colonization plan means also converting the farm laborer, who may have saved up a few hundred dollars likewise into a landed proprietor, under conditions that will insure his success. Today the amount of money needed successfully to finance a modest farm is such that it would take on the part of the average farm laborer the efforts of almost a life time before he could accumulate a sufficient sum with which to engage in such an undertaking, whereas under state colonization, if he has enough to make a 5 per cent payment on the purchase price of his land and one-third of the cost of his improvements, he would get an immediate footing, under conditions that would carry with it hope and ambition, instead of fear and dread and anxiety, in the matter of meeting his obligations.

It would, therefore, seem that all who keenly realize the serious menace hanging over this nation in the form of steadily increasing farm tenancy, with all its consequent ills to the individual and to the nation, should enlist in the cause of advocating state colonization and should devote themselves to the patriotic service of bringing about within their own states such a political condition and such strong public sentiment as will speedily lead to transplanting the Australian state colonization methods upon our own soil.

NEEDS OF THE FARMERS ON RECLAMATION PROJECTS

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Throughout the western part of the United States, and particularly upon recently irrigated lands there exists a condition which demands attention. Although the number of farmers concerned may be small as compared with those throughout the east, yet the relative importance is great because these tens of thousands of irrigators form the mainstay of sparsely settled localities. Each state and community has need of these men. Its prosperity depends largely upon their success. If they are not able to maintain their families in comfort and attain a reasonable competence, the country will not receive nor keep the necessary population to maintain its progress.

The United States has already invested over $100,000,000 in building large works for the irrigation of arid lands in each of 17 western states. In addition, other hundreds of millions of dollars have been expended by individuals and corporations in reclaiming similar lands. Hundreds of irrigation systems have been built consisting of thousands of miles of canals and distributaries. People have been attracted from all parts of the East and from foreign countries. They have settled upon or purchased the reclaimed lands and are endeavoring to make homes upon them. At the present time there is a large area of productive land, more or less fertile, with water provided for its irrigation, and there is a population upon the land with many workers available. It has been assumed in the past that having the land and the water, the people would flock in, as they have done, and that then the problem would be settled as the newcomers would follow the example of the earlier pioneers and would immediately utilize the water in cultivating the lands.

There was a fallacy in this assumption and a neglect to give full weight to the necessity of money or credit for carrying on the farm operations and for properly marketing the crops. Under the early pioneer conditions, there was little need for considering the question of rural credits, as the miners or stock raisers in the vicinity purchased readily at high prices the products of the pioneer farmers. With the larger influx of population, however, these local markets have been swamped and the thousands of farmers on the newly developed areas must compete practically in the markets of the world for the sale of their products.

Luring Settlers With Roseate Stories

Most of the newcomers have been allured by glowing stories of possible success and have had the idea that the lands would rapidly increase in value. Many of them have literally put down their last dollar on making the first payment for the land and water, and do not have sufficient capital to provide suitable shelter for their family, much less to equip a farm and keep up operations for a year or two. The irrigation companies, the men selling the land, the local merchants and others are compelled to furnish credit and under the conditions prevailing have been tempted to charge exorbitant interest rates. Starting originally at, say, 6 per cent or 8 per cent, for deferred payments, with inability to meet these, the interest rate has been steadily raised to 10 per cent, 12 per cent or even more. Few occupations can stand this interest charge or can succeed on borrowed capital under these conditions.

There thus arises an insistent demand for relief, and one which is worthy of consideration. The difficulty is obvious in that the men most needing the use of adequate capital to develop their farms have little real security to offer. They have usually agreed to pay prices for the undeveloped land so great that there is little hope of obtaining complete title unless the time and manner of payment can be made less onerous. Land prices have been raised through misapprehension of the amount of labor and money required to put the land into good, productive condition. For example, it is not unusual to find that a farmer on these irrigated lands has promised to pay $100 per acre or even $150 or more. He may have paid down, say, $20 per acre and is carrying the balance at, say, 10 per cent. To make this land productive, he must expend from \$10 to \$50 per acre in clearing and levelling it and another \$50 an acre in 10 or 20 annual installments for the water, in addition to \$1 or more an acre each year for operation and maintenance of the canals. Theoretically he should be able to obtain from \$30 to \$50 per acre annually from crops when produced, but it may be a number of years before this can be done.

A Growing Class of Professional Pioneers

It is of great importance to the state that this man who has made the effort, who has brought his family to the new farm, be enabled to stay. If he is driven out by misfortune and poverty, it may be difficult to secure any one to take his place. In any event it is a loss of time in securing a successor. On the other hand, if he is provided with money or credit too easily, or if he feels that some one has insured his success, there is a tendency to demoralization and to a slackening of effort on his part. This latter condition has defeated many well meant efforts toward direct aid to the settlers on the new lands. The equity or real ownership of the occupant of the farm is not sufficiently great at first to spur him on, and, having once broken the ties of the old home and moved into a new country, he is easily induced to make another and still another attempt and finally joins the class of those known as ''professional pioneers.''

The problem is complicated by the fact that in these newly reclaimed areas there is not the personal acquaintanceship or neighborhood spirit which prevails in older communities and upon which coöperation can be founded. It has not yet been demonstrated that any particular crop is peculiarly adapted to the surroundings nor have markets been established. In other words, all of the bases upon which credit is usually advanced is yet to be established. There is thus the special problem of providing needed facilities for the men whose guarantee of success is largely that of personal character rather than of established values of the lands and crops.

THE RURAL CREDIT SYSTEM NEEDED IN WESTERN DEVELOPMENT

Elwood Mead

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One of the most important questions confronting this country is the creation of a land policy suited to conditions which have arisen in the last quarter of a century. Until recently it was our boast that any man who had industry and thrift could enjoy landed independence. That statement now needs to be qualified. The increase in the number of farm renters compared to the number of farm owners; the colonizing of rural communities with foreign born immigrants who can and do pay higher rents because they are content with a lower standard of living, and because they take no interest in or spend any money to secure good roads, good schools, or other matters that make men good citizens, are significant indications of the dangers to rural life which need to be removed.

Other countries are confronted with the same problem; many have gone far in its successful solution. In every case the foundation stone is a system of rural credits designed to enable men of small capital to buy and improve farms and thus become owners instead of renters.

The West an Inviting Field for Rural Credit

The Western third of the United States presents the most inviting field in this country for the establishment of such a system and has greatest need for it. In this section millions of acres of irrigable land capable of supporting a dense population are either unpeopled and awaiting settlement or the settlers are having to undergo hardships and menaced with failure from causes that are removable and should be removed. High interest rates, the inability to secure money to make necessary improvements of the land and the lack of direction and oversight of unskilled beginners, cause so many to fail before they get started that it is becoming an economic wrong and is not alone affecting the prosperity of western agriculture but of all related interests.

Irrigation works which have cost in the aggregate nearly $200,000,000 are financially unsuccessful because of delay in settling the land or because settlers are too poor to pay water charges. The nature of the obstacles that confront development, the hardships and losses of settlers in recent years are not understood by the country as a whole. The economic changes which have taken place in the last 15 or 20 years and the need of financial adjustments to conform to those changes are matters about which a wider knowledge is desirable.

Up to a quarter of a century ago there was little need of capital, or skill in agriculture, to enable men to acquire homes in the arid West. The settlers obtained the land as a gift from the government. The water to irrigate it was taken by means of cheap ditches out of the mountain streams. Usually these consisted of nothing but a simple furrow built with the settler's own labor. What is now the highest priced farming land in Colorado, and in practically every other western state was obtained from the government for nothing or purchased from railroad land grants at from $2 to $5 an acre. To build ditches to water these lands cost only from $3 to $10 an acre; the man with $1,000 to $2,000 had ample capital to acquire and improve a 160-acre farm.

When 20 years ago John Brown, a farmer from Nebraska, went to Wyoming and bargained with parties building a small irrigation ditch to pay $10 an acre for a water-right to irrigate his 160-acre homestead, he was told by a neighbor that that price was prohibitive; he could never pay it, and the best thing he could do was to jump in the river and end his troubles. The neighbor's view was governed by the fact that his water-right had only cost $3 an acre, and up to that time $5 an acre had been the maximum limit of cost.

John Brown, however, did not drown himself; nor did he fail. The whole debt for land and water was $1,600, and he had brought with him $1,000 cash. With that he bought a team, built a log house with timber cut from the public land, bought a few range cows and pastured them on the public domain without paying any rent. He helped build the ditch and so worked out part of the cost of his water-right. In 2 years he was out of debt, making money on his range cattle. It took him 10 years to level and prepare all of his 160 acres for irrigation, and the work was not done as it must be done today to enable settlers to succeed.

In the last 15 years these natural opportunities have disappeared. The free land that was easily irrigated is gone. The streams that could be diverted by simple channels have been absorbed. To obtain water for irrigation, great rivers have to be controlled and flood water conserved by the building of costly reservoirs. The railroad lands that could once be obtained at from $2 to $5 an acre have passed into private ownership. In one way and another great landed estates control some of the best undeveloped areas. The actual construction cost of irrigation works built in the last 5 years varies from $30 to $100 an acre. Unimproved privately owned land under those works sells from $15 to $100 an acre.

The John Brown that attempts to settle in the West today is confronted by far greater obstacles than the John Brown of 20 years ago. The free timber that built his house, the free range that pastured his cows, are the exceptions rather than the rule. The early settlers selected the land that could be irrigated at lowest cost; the land that is left requires, as a rule, more work to prepare for irrigation and the work must be done better, because it must produce more abundantly than when land was free, and water-rights cost only a nominal sum. There are thousands of acres under costly irrigation projects where the average cost of leveling for irrigation is $50 an acre. The John Brown of today can not prolong this preparation over a period of 10 years. Interest charges, land and water-right payments make it desirable that he had it fully productive in the shortest possible time. The old individualistic development has disappeared, but we have not yet replaced it by the organization, the oversight and the capital needed to enable the settler of small capital to meet the new conditions.

Irrigation Land Comes High

There are few places in the West where improved irrigable land can either be purchased or raw public land improved for less than $100 an acre. To the cost of the land there has to be added the cost of a water-right, the cost of preparing the land for irrigation, the cost of unprofitable cultivation for a year or two while the soil is being cultivated. The house, the fences, the implements, and the livestock, all needed to make it a going concern, involve an expenditure greater than has been usually realized and greater than most settlers are prepared to meet;

yet the larger part of this expenditure must be made immediately because it is the only way in which he can make a living and pay interest on the cost. If the settler can once get his farm improved and productive and especially if he can have time enough in which to earn the money from the land, he nearly always succeeds. The profits of intense cultivation are great and in some directions like livestock are continuous and reliable. What he needs and must have is capital or credit to improve, equip and stock his farm, so as to enable him to follow intensive scientific agriculture.

The department of rural institutions in the University of California and the Rural Credit Commission of California are making a first-hand investigation of the cost of preparing land for irrigation, the cost of equipping a farm, of the time which it requires the average settler to make needed improvements, and the plight in which he finds himself when he makes the attempt without adequate capital and has to depend on existing credit facilities. The results already obtained show that many settlers with from $1,000 to $3,000 find themselves in debt and without credit before they have their land prepared for irrigation and are unable to go on because the commercial banks cannot lend money except on revenue producing property and no reliable land mortgage company will loan except on first mortgage security. Some settlers are able to obtain money on their personal credit, but in those cases the loans are usually for a short time with commissions for obtaining the loan and for its renewal and with interest rates varying from 8 to 12 per cent. The settler has therefore to pay interest rates above the profits of agriculture and has always before him the ever impending menace of a mortgage foreclosure.

The absence of adequate credit facilities, absence of organized oversight of settlement is an economic wrong to the settler in many ways. He needs livestock to consume his fodder crops and if he could purchase these he could often make money where he is now losing it. Instances were found where men last year sold their alfalfa for $1 a ton in the fields, wherein, if they had been able to buy livestock, it would have been worth $15 a ton. Scores of settlers were attempting to cultivate crops for which the land and climate were not suited and who had lost through mistakes, that intelligent oversight would have averted the money that would have pulled them through the critical period.

Much Waste on Irrigation Projects

No one can visit a developing irrigation district without realizing the waste involved in leaving each individual settler to carry out his improvements without organization or expert direction. No beginner can level land properly—no individual settler can afford to buy the proper implements, and as a result each one of them wastes time, labor and money. Leaving each individual settler to buy the material for his house and arrange for its construction causes him to lose time that ought to be spent on cultivation, makes the cost more, and the result far less than if this was done under some comprehensive plan. This is being demonstrated in California, where Dr. Dwinnel is building houses, leveling land and planting alfalfa on a part of each farm before it is sold to settlers. Buying in large quantities at wholesale rates, employing carpenters on contracts which let them work on days when they have nonregular employment elsewhere, he has actually furnished the material and built houses for less than the carpenters charge for their labor in dealing with the individual settler.

In one district visited recently the fields were dotted with alfalfa stacks. It was a picture of seeming agricultural prosperity; yet many settlers in that district were dead broke and in debt. They had spent all their money preparing to grow alfalfa and there was no market for hay. If they sold hay they had to sell at less than cost. Fat cattle and fat sheep brought high prices and the profitable way of marketing their alfalfa was to feed it to cattle and sheep. But, as one settler expressed it, there was no use to talk to them about that because they had no money and not credit enough to buy a suit of clothes. One settler was financed by a local banker in buying 10 dairy cows. For the risk the banker charged him $10 a cow above the purchase price. He required the settler to give one-half of the return from each cow. The settler paid a lawyer $10 for preparing a chattel mortgage; $4 for recording it. Hence, to begin with, he was loaded with $11.50 a cow above the cost price. Every good dairyman has to cull his herd; some of these cows were unprofitable. He wanted to sell the poor ones and buy good ones, but the banker insisted on a new chattel mortgage every time this exchange was made. In six months' time he paid out more in legal fees, lost time in consulting the banker, and recording new mortgages than his profits.

One settler who had 320 acres of government land and a title to it borrowed $10,000 to be spent in leveling it for irrigation. To get that money he paid a commission to the loan agent of $500. He agreed to pay 10 per cent interest with 6 months' interest in advance; that was another $500. He was required to insure his life for $10,000, the policy being drawn in favor of the lender; that cost $200. He actually received of his $10,000 loan $8,800, and for that he had to pay each year $1,200. The agriculture of improved farms will not stand interest charges of that character, and yet these are not isolated instances. The investigation referred to has shown scores of the same character.

Mortgage Indebtedness Is High—Interest Rates High

In one district the average farm mortgage indebtedness over the whole area of nearly 200,000 acres is $50 an acre; on some farms the indebtedness is far greater than the average, and the chattel mortgage indebtedness on the same area is about $15 an acre. The interest rate with commissions will average somewhere between 10 and 12 per cent and to this has to be added heavy payments on the principal. If, instead of 10 per cent interest, these settlers could obtain money at 5 per cent, it would mean an annual interest saving to the farmers of this district of over half a million dollars, and to some settlers this interest saving would mean over $5 an acre a year. Yet 5 per cent interest is about the highest rate of interest paid in any country having an effective rural credit system. If, instead of having to pay off the debt in 5 years, they could have amortized payments extending over 30 years, it would mean that the average payment on the principal in this district would drop from $10 an acre a year to 75 cents an acre a year. This change would mean a saving to the settlers of this district during the early trying years of over a million and a half dollars a year; it would mean the difference between success and failure, between confidence in the future and harrassing anxiety. It would mean good food, good clothing, and comfortable living for thousands of settlers and their families which are lacking today because we have a wholly unscientific system.

It is not a sufficient answer to the objections to present conditions to say that many settlers succeed. That shows the high quality of the settlers and gives reason for confidence in the results that would follow the adoption of a scientific land settlement policy. The fact that emigrants could pross the plains with ox teams did not prevent the building of railroads or make them less valuable.

Such a policy would induce the purchase of land, where public land was not available, its subdivision into farms which would make living areas, that would vary with the settler's capacity and the size of his family. It would mean the exclusion of all those who now own land, because this would be intended as an opportunity for the renter and the young men of both city and country. It would mean reserving the land for qualified settlers, and having those qualifications investigated in advance. This would not deny any deserving settler an opportunity, but it would save many unfit from making a mistaken attempt. It would mean lending money needed for the improvement and equipment of farms, and exercise an oversight over certain kinds of improvements like building houses and leveling land, where expert knowledge and skill will save both the settler's money and time.

Object Lesson From Other Lands

There is nothing new about a system of this kind. It is in operation in Ireland, Denmark, Italy, in Germany, and British South Africa, and in the Australian states. The most striking object lesson for this country is, however, to be found in the Australian states and New Zealand. These new countries, which are leading the world in many humanitarian experiments, have the most highly organized and most successful rural credit system of any country. If the commission that went from America to study the rural credit systems in Europe had visited Australia as well, there would have been no difference among them as to what should be done in the West. The British Columbian commission which visited both Europe and Australia has adopted the Australian system. It is identical in its principles with a system in operation in the development of agriculture and the financing of farmers in German Poland in the great territorial province of Germany in South Africa.

My belief in the Australian system is based on an acquaintance of 8 years as a member of the commission that was entrusted with the management of state aid in irrigation settlement in the Australian State of Victoria.

When I went to Australia conditions there were almost a direct counterpart of those now confronting irrigated agriculture in this country. Costly irrigation works had been built but the water was not being used. The number of farmers on irrigated areas was decreasing. Men who were without capital could not buy the land and those with capital did not care to. Irrigation works were unprofitable, because there were not enough people on the land to cultivate it as successful irrigation requires.

Land Settlement a Social and Economic Problem

The government determined to change this, and it considered 2 plans. One was to further extend existing tenant farming which would not disturb the large estates. The other was to inaugurate, through government purchases and subdivision of large farms, a rural life in which each man would own the house he lived in and the soil he tilled. The state began an investigation to find out how much land was needed to make a living farm area and how much money would be required to improve and equip that farm for intense culture. It made a study on the ground of the state rural credit systems of New Zealand, Ireland, Denmark, and Italy. In all this study of what the state could safely attempt, land settlement was considered as a social and economic problem rather than a means of making a profit out of land sales.

This preliminary study showed that the success of a settler largely depends on 2 things: First, obtaining a living income from his farm within a year; and second, getting the whole of his land into cultivation and production inside of 2 years.

The state's plan provided for the purchase and subdivision of land into different sized areas, the smallest being 2-acre blocks for the farm laborer. This gave such laborer a home for his family, enough land to keep a cow and some poultry and grow his fruits and vegetables. It tied them to the soil and has changed their nomadic character. No feature of this system has proved of greater economic or social value than the 2-acre farm laborer's block. The number originally established in each district has subsequently been increased with the increased demand for labor as the land was brought under intense culture. The state provided for building houses, because it could, through building a large number of them give skilled oversight of contractors, and it protected the district from the unsightly makeshifts the settler would perpetrate. A district with all the houses properly built, newly painted and provided with those things that go for decency and comfort, becomes a source of pride and a stimulus to effort of every man who finds a home there.

The state at first undertook the leveling of 10 or 15 acres of land on each farm and the seeding of it to alfalfa so that each settler would be insured the feed for his work animals and his cow the first year. Later on this was changed to the seeding and leveling of about three-fourths of every farm if this was desired and doing a considerable portion of this work in advance of settlement. As a result, it frequently occurred that settlers who took up dairying were able to obtain a living income within 30 days of their arrival. At first the state left every settler to buy his own tools and buy his own livestock but when a new settler from England paid $125 a piece for cows which was the price in England, while the market price in Australia was $50, and when it was found that the new settlers were being victimized, the state placed at their disposal an expert buyer of dairy cattle who by getting in touch with the dairying districts of three states, buying the stock in these districts, especially buying young stock, the settlers were saved from the purchase of worthless animals and provided with good ones at about one-half what they would have had to pay if left to do this without advice or aid.

Technical Instruction Must Supplement Land Purchase

The most important feature of the system was, however, the placing on each district of a farm instructor and adviser. He was there to be consulted by the settlers whenever they desired, but it was also his business to drive continually through the district observing the habits and methods of the beginners, to correct their mistakes when seen and where they refused to adopt proper methods or showed the lack of industry and persistence it was his duty to notify the authorities in charge and having this warning the authorities were careful about making loans of money for improvements or extension of time on payments. The influence which this exerted on the methods of the farmer and on the agriculture of the district was immediate and important.

The features of this scheme which served to protect the taxpayer from loss were, first, that the board administering it was non-political. It was appointed for a long term and only removable for cause. The money was of course provided by Parliament, but no political pressure or influence controlled its use. The land that was purchased was purchased at a price fixed by 3 impartial valuers, complete publicity being given to these valuations and to prices paid. The state in all cases owned the land. The money advanced was expended in the improvement of its own property and the settler was required to pay a preliminary deposit of 3 per cent on the land, and to pay, as a rule, about 40 per cent of the cost of the house or other buildings erected; and about 20 per cent of the cost of leveling the land. Where the settler made improvements, the state could lend him up to 60 per cent of the value, but this was optional with the the authorities and such loans depended quite largely on the record made by the settler for industry and thrift.

Advantages to Settlers

The advantages to the settler were these: He only had to make a small payment on his land; had only to pay part of the cost of his house and improvements and that left him out of his meager capital money enough to buy his equipment. He had the advantage of expert advice and expert knowledge and skill in the carrying out of improvements and in the cultivation of his land; and then he had low rates of interest with amortized payments of principal extending over 36½ years. Before this system went into operation in these states settlers often had to pay up to 5 per cent commissions to obtain money, and the average rate for money in New Zealand was 9 per cent. On these loans the settler pays 4½ and 5 per cent interest and 1½ per cent on the principal, so that instead of paying about 10 per cent interest alone, he now, by paying 6 to 6½ per cent pays both interest and principal.

In New Zealand the state obtains the money for these loans by the sale of bonds in London. In the Australian states they borrow it, as a rule, from the state savings bank. In 2 states they obtain it quite largely from the Commonwealth Postal Savings Bank. In either case they pay 4 per cent interest and where they lend it at 4½ to 5 per cent, there is ½ to 1 per cent margin and this margin is intended to meet expenses of management and losses where settlers fail to meet their obligations. A full report of the financial operations of the different state systems is given in a recent report of the commission of British Columbia; but in Victoria the accumulated surplus out of the difference between the interest paid by the state and the interest paid by the settler amounted in the last annual report of the premier to do something over $500,000. The great social and economic benefit that comes from this aid to settlers has not heretofore cost the taxpayer anything. On the contrary there is a credit balance to his account.

How Much Capital Must a Settler Have?

There was much difference of opinion at the outset regarding the capital which a settler should have. This was at first fixed at $1,000. Since then it has been made more flexible. The capital depends on the size of the farm the settler purchases and something on his own personal qualifications. No one is allowed to buy land under these conditions who is already a landowner, and actual settlement is insisted upon. Title to the land does not pass for 12 years, but the settler can sell his interest at any time before that provided the buyer conforms to the restrictions governing the original settlement. The maximum value of land purchased by one settler is $12,500, and the maximum amount which the state can expend in the improvement of his farm is $2,500. On the 2-acre blocks or on blocks for farm laborers, or on areas of 10 acres or less the capital of the applicant is not considered. He is only required to make the payments on the land and the part payment on the house and other improvements. On these small blocks the settler can meet the payments from wages, but when the holdings come above 20 acres then the income must be far more than the settler can earn by wages if he is to succeed, and the rule is now to require men desiring farms of 20 to 50 acres to have a capital of $1,000, and above that to have a capital of at least $2,000; but in practically all such cases where the settler has less than $5,000 capital the state expects to furnish $2 for each one put in by the settler in the improvement and equipment of the farm. There have been instances of settlers who borrowed the money to make the original payment and yet have met promptly each payment to the state. In every case where the settler was industrious and efficient this aid enabled him to succeed; but it was perfectly apparent to all those who observed this development that if these settlers had been compelled to meet all these payments unaided, two-thirds of them would have failed. It is equally clear to all who have made a first-hand study of conditions in developing areas in this country that unless some such system is introduced here future settlement should be restricted to men of considerable capital, say $3,000 each on public land and $5,000 each on land privately owned.

A Way of Checking the Rural Exodus

The adoption of this system by this Australian state has stopped the drift of the young men from the country and attracted to the land scores of young men from the cities. It has created opportunities for hundreds of poor men who without it would have never been landowners. Under its operations more than 4,000 farmers, all starting with limited capital, now live in their own houses and are landed proprietors. It has given the people better houses at less cost, better livestock, better tools than they could have obtained without the financial aid and the expert knowledge and advice that went with the system. How it is regarded where it is in operation is set forth in the last budget speech of the premier of Victoria.

The most gratifying feature connected with the state's investment is the improvement in scientific agriculture. The final success of this investment depends on the returns which can be obtained, and in this respect the state stands in an entirely different position from that occupied 5 years ago when is made intense culture combined with closer settlement the basis of future development. This was an experiment, the success of which was doubted by many; now it is a demonstrated success. Over large areas in widely separated districts more than 10 times as many families are settled in comfortable homes, under attractive social conditions as were there 5 years ago, and they are obtaining returns from their holdings that even less than 5 years ago were regarded as impossible. Notwithstanding the fact that many of the settlere were inexperienced and lacked capital, the small irrigated farm is paying well.

Coöperation Not Basis of Land Settlement

Many in this country are opposed to state action on the ground that the state is incompetent and that all this should be left to private enterprise. There is much meaningless talk about what can be done through coöperation. A conclusive answer to this is the success of those rural credit systems operated with funds provided by the state in countries with conditions and needs like ours, and the absence of a single successful system of land settlement through either private of coöperative rural credit where the conditions are like ours. Germany with that thoroughness and business sagacity so characteristic of the nation did not attempt to employ the landschaft or any other coöperative system in aiding German farmers to become land owners in Poland or Southwest Africa. Instead it adopted direct state action, identical in its working features with the system of New Zealand and the Australian states.

The state is the proper authority to provide the money. It is the only authority in a developing district where all men are borrowers, where values are being created, where the people are new to each other and where they are strongly inclined to be individualistic, that can provide cheap money. And the state has reasons for doing this that do not prevail with either private or corporate enterprises. The basis of state action is the general welfare, the creation of better conditions in rural life, the bringing into cultivation of unoccupied land, the increase in taxable wealth and trade and commerce. All these things are gains for the public, of which the state is the representative. The federal government and the states own much of the land to be peopled. The federal government has about $100,000,000 invested in irrigation works. The financial return from these works and the welfare of the settlers living under them can in no way be so effectively helped as through the establishment of a state or government rural credit system like that of Australia. The money for these loans in Australia comes almost entirely from savings banks. If the federal postal savings bank system in this country was changed so as to make the interest rate 3½ per cent and the limit of deposits $2,000, there would be an ample fund in this country with which to carry out this work.

In addition the state has already in its experiment stations and the officers appointed under the Smith-Lever bill a body of expert advisers familiar with local conditions. It would only need an increase in their number to do all that is being done by the advisers of the rural credit system of Australia, and with the power that this system would give them their influence would be far more potent than it now is, and the progress of agriculture correspondingly accelerated.

If we adopt this system we will have the experience of a number of countries to guide us; we do not have to break any new trails. It will be in no sense an experiment. It will be entrusting the creation of new communities and the shaping of their social and industrial life to the only authority which should exercise that power and the only one that has the resources, the continuity of existence, the disinterestedness needed to insure the results desired.

There need be no fear of the ability of a state to render a direct service to the people and to do this with economy and efficiency, if the management is made non-political and placed in the hands of competent men who have a long tenure of office.

During the last 30 years I have worked for private enterprise and for the state, and it is my conviction that men will work harder for the state and in the interests of public welfare than they will for a corporation whose motive is profit. I am quite sure that there is no corporation in this country whose employes worked harder or longer hours or took keener interest in their work than did the officers of Victoria connected with the management of its rural credit system. If this system is made non-political and if in its working methods there is incorporated the safe-guards that have made the Australian system so continuous and so conspicuous a success, or those incorporated in the British Columbia law, or outlined in the report of the Wisconsin State Board of Public Affairs, there need be no misgivings as to the results.

THE LANDLESS MAN OF AMERICA AND HIS NEEDS

JOHN LEE COULTER

Dean of the College of Agriculture and Director of the West Virginia Agricultural Experiment Station

So much has been said during recent years on the general question of rural credits that is seems to me there is great confusion in the public mind. It seems to me we would make greater headway if the broad general subject of rural credits could be divided into 3 or 4 parts and each separte part considered as a separate proposition. In order to do this I desire to first call your attention to the fact that:

There are in the United States about 6,360,000 farms, and therefore approximately the same number of farm families. In addition to this there are probably 2½ million farm laborers, or possibly I should say that number who are employed from time to time by farmers for a given rate of wages. I also desire to call your attention to the fact that *all* of these people need small loans (personal short term credit), while on the other hand *only those who own and operate farms* are directly and immediately concerned with long term land mortgage credit.

Those who do not own farms but who as tenants or hired laborers work on farms, no doubt all desire at some time to become land owners, and therefore desire but do not have the basis for long term mortgage credit. In this discussion I am going to entirely omit consideration of long term mortgage credit in so far as it pertains to farmers who now own farms. In other words:

I intend in this brief discussion to consider only the 2,360,000 tenants,—those who operate farms but do not own them—and the 2,500,000 farm laborers who work for others than their parents for wages. You will see at once that I have a group here of something like 5 million men who are now properly classed as landless. They are to a very large extent the future hope and salvation of the nation. We dare not overlook them in working out a program if we are concerned with the fundamental needs of the nation and if we are anxious to place agriculture on a fair and successful footing.

The Tenant

In order that there may be no confusion I wish first to briefly consider the problem of the tenant, in so far as he is a landless man. I shall then briefly consider the situation of the laborer. I wish first to point out the great number of tenant farmers who are sons or sons-in-law of the owners of the farms on which they live. I have made a particular study of this particular point, and when we realize that all, or almost all of the present 6,360,000 farm operators will be dead 50 years from now, we must be impressed with the fact that there will be as many or almost as many young men and women inheriting farms. It is not necessarily an evil in a nation of this size if there are a few tenants. I do not pretend, however, to maintain that all of the tenants in this country come into this class. I am inclined to believe that if tenancy were approximately uniform all over the nation and amounted to not over 12½ per cent of the total number of farms, there should be no worry since the 800,000 tenants would be merely the sons and sons-in-law who soon would become owners through the natural process of inheritance. Of the 2,360,000 tenants in this country, therefore, I am inclined to eliminate 800,000 and assume that they will be taken care of without any extraordinary steps. This, however, leaves approximately 1½ million or two-thirds of all tenants at the present time.

A Second Class of Tenants

I wish now to call attention to the second class of tenants, and it seems to me they should be seriously considered. I have in mind possibly as many as one-half million tenants who are industrious, who are farming to the best of their ability, who are saving some part of their returns, and who hope in due course of time to become owners.

These tenant farmers should be helped in every way possible. What shall we do for them? In the first place give them every opportunity to improve their farming through agricultural education of every kind; second, help them in every way to market their products to the very best advantage so that they may get proper prices for their products and thus be able to save the larger fraction of their gross income; third, give them an opportunity to invest their savings to the best possible advantage so that they may rapidly accumulate enough to make a first payment on a farm; and fourth, provide a system of farm land banks so that they may pay in cash 40 or 50 per cent of the value of a farm which they have in mind, borrowing the remaining amount necessary and thus becoming owners at as young an age as possible, and paying the remaining amount due out of the products of the farm. I believe this to be a thoroughly practical program and one which if details were worked out carefully would result in bringing 500 thousand tenants into ownership as a result of their own industry. I am confident that these progressive and vigorous young men and their families do not ask the government for special concession any more than the 800,000 who will inherit their farms from their parents.

Up to this point I do not advocate any direct government aid in this matter, but simply a substantial and practical program making it possible for vigorous young Americans to become owners of farms which they now operate as tenants.

But I have left one million farm tenants. I believe they belong to 3 principal classes. Some of them (I enter an estimate of as many as 250 thousand) could become owners if they chose but prefer to live as tenants using their capital for investment in live stock and equipment, believing that land and buildings are too high, confident that they can secure as much net return as tenants as otherwise, and willing to continue in their present status or in some other status which they may choose for themselves. Of this much I am sure, there are many of this type and the number I believe is increasing. I found this same type in many European countries and am convinced that no steps should be taken which try to compel all such tenants to become owners. With farm land banks these tenants might become owners if they chose. They might invest their surplus in bonds and thus technically be practical owners of land even if they continue as tenants on land they do not own.

The second class which I have in mind which goes to making up this last, is the immense number of tenants who are incompetent. I do not wish to be harsh, but I believe I am making a very conservative estimate when I say that I believe there are something like 500,000 in this class. It would not surprise me if the number were as great as 636,000 or 10 per cent of the total number of farm operators in the United States. This class is a very different one to deal with. For the national government to lend these incompetent tenants the government's credit, it seems to me would be a serious mistake, unless a system of education and supervision is worked out in such detail as to make it practically certain that these tenants having become owners would be educated and supervised in such a way as to be sure that they would carry out properly the system of farming which would make it possible to eventually pay the nation or the state the amount originally advanced. I have in mind here that it is absolutely necessary to study the peculiar characteristics of men whether they be farmers or other business men. Some men naturally have initiative, perseverance, foresight, frugality, etc.—others seem to be quite lacking. I feel that it would be the greatest error ever initiated by the government to promiscuously turn over government credit for the use of all types; hence I say until we have some satisfactory scheme of agricultural education and direct supervision it would be unfortunate for state or nation to attempt to bring this class from the status of tenancy to the status of ownership.

This leaves us not more than 150,000 or at most 250,000 to go to make up the last million. I believe that this is a fair estimate of the total number of farm tenants who are farm tenants because of some misfortune or because of some slight error in business such as a defect in title to farm land, etc. Some of these are tenants because they married too young and have attempted to rear too large a family and have thus been unable to accumulate funds for the purchase of a farm, others in various small sections of the country are tenants because of overflowing of rivers from excessive rains, or droughts, or sudden attacks of some injurious insect such as boll weevil, or national policy (repeal of tariff on sugar might have been a good illustration), or very great loss from disease among animals, etc., etc. Of this number probably many have reached such an age that to try to convert them into ownership would be a failure. The great body of these should be aided in some way by the state. I do not believe that the national government can do much, because it has no machinery to elect or sort out this particular class. Furthermore, the number varies from state to state. I believe that individual states should evolve a land policy looking toward the state purchase of tracts of land which are now too wet or too dry or otherwise undeveloped. This land might be divided into farms and sold on advantageous terms to the proper type of tenant who desires to become owner.

Constructive Suggestions

One need for all classes is a thoroughly up-to-date and modern state bureau of farm lands. This bureau should have a complete list of all farms in the state and should constantly be revised to show what farms are for sale, what farms may be rented, etc. This bureau is as important from the standpoint of tenancy and land ownership as a labor employment bureau is from the standpoint of giving proper employment to laborers.

It would seem from the discussion above that in conclusion I should recommend the following as the first steps to be taken:

First: An act of Congress providing for a complete scheme of farm land banks.

Second: Acts of the various states supplementing the national law providing for institutions to do various phases of the mortgage business which the national farm land bank would not care to undertake.

Third: Legislation by the various states simplifying laws pertaining to titles, deeds, foreclosures and exemptions.

Fourth: An up-to-date state bureau of farm lands with complete lists of farms for sale and farms for rent, and as much detail concerning these as possible.

Fifth: A thorough scheme of rural education with county organizations so perfected that the county headquarters would have a complete list and careful rating of every farm operated within the confines of the county.

Finally, such state legislation as necessary to take over by some public service corporation lands not already developed,—these to be developed, parceled, and sold on advantageous terms to select farmers who do not now own any land but are seeking to become permanent settlers living upon and operating their farms.

Hired Farm Laborers

I have made an extensive study of hired farm laborers, and as far as I have been able to complete my investigation much the same classes or types are found here as among tenants, only that they are one more step removed from farm ownership than are the tenants. In addition to the classes noted above, however, large numbers of farm laborers are casual laborers who during other seasons of the year work in the cities, towns and villages, or in mines or forests. These casual or transient farm laborers do not desire generally to permanently settle on farms, and no special provision need be made for them.

Another class of farm laborers which we do not find so frequently among tenants is that a great number of young men who drift out from the great cities during the busy harvest season, and they again are temporary or transient and would likely call for no special treatment.

The third class of hired farm laborers not so frequently found among tenants is that other considerable class of unmarried transient laborers not uncommonly designated as tramps, hobos, bums, etc. Many of these are wrongly named; they belong to other classes. On the other hand many of these are of this class, and the principal need is to provide cheap transportation so that they may quickly move from one section to another as work presents itself. They also need a thoroughly organized bureau of labor which may properly route or direct them so that there may be less possible waste of time in securing a new position when the last one has disappeared.

Aside from these special classes I believe that farm laborers come under the groups indicated under "Farm Tenants," and they will find the suggestions under that head equally apply to their needs.

PRESENT FACILITIES FOR LAND PURCHASE AND NEED OF LEGISLATION

WHAT THE FARM MORTGAGE BANKERS OFFER

F. W. Thompson

President, the Farm Mortgage Bankers' Association

In touching upon the subject of "What the Farm Mortgage Bankers Offer," I shall confine my remarks principally to the facilities now at hand and what the farm mortgage bankers have to suggest as a means of increasing these facilities for financing land mortgage loans for the American farmer. The farm mortgage banker includes country and city bankers, farm mortgage investment bankers and individuals and copartnerships, who not only make farm loans for their own investment, but who act as agents or brokers for the investment of funds foreign to the locality in which the loan is situated.

These foreign investments have been computed to total two-fifths of a grand total of nearly $3,000,000,000 of the estimated total of farm mortgages in force in the United States at the present date. It is unfortunate that accurate statistics are not available covering the aggregate total of farm mortgages in force, the rate of interest paid by the borrower and the distribution of mortgage debt by states. The gatherers of information forming the basis of the 1910 census obtained information more or less accurate from owners of land actually occupying farms but only from such farm owners as would voluntarily give accurate answers to the census takers.

No serious attempt has been made to obtain a survey of the public record showing farm mortgages in force because of the vast expense and labor necessarily involved in such an undertaking. Likewise it would require a personal interview with every farm mortgagor in the United States to obtain accurate information as to the rate of interest and commission paid by such borrowers.

Mr. C. W. Thompson of the agricultural department at Washington stated in a paper delivered at the recent convention of Farm Mortgage Bankers held in St. Louis, that from his investigation, he found the average rate of interest with commission added paid by farm borrowers in the United States runs form 5½ per cent in New York as the lowest to 10 per cent in Montana. He mentions the Iowa rate as 5.9 per cent, Missouri 6.8 per cent, Texas 9 per cent and Alabama 9½ per cent. He makes the significant statement that the lowest rate, both as to rate and commission, is found in the East and Middle West. I might add, by way of supplement, that the low rate in the East results from the demand for truck stuff and highly specialized farm products and dairy output from large centers of population having large accumulations of wealth with comparatively low interest rates prevailing, and in the Middle West because of the generally acknowledged superiority of both farms and farmers in this district and a consequent confidence of investors in the stability and desirability of both.

Many contributing causes may be mentioned for the comparatively high rates reported by Mr. Thompson, but one or two may be mentioned as quite commonly understood. First, too much dependence upon a one-crop production and second the lack of uniformity both in value and productiveness of different sections of our different state units. When the Middle West put its main reliance upon wheat raising, the interest rate was high, ranging from 7 per cent to 12 per cent. When it changed to diversified farming, values began in increase and interest to decrease. High rates in the South can be attributed to the passion for raising cotton in a like manner.

Illustrating my second contention, take the states like Missouri, Kansas, Nebraska, North and South Dakota, Illinois, Minnesota, Indiana, Wisconsin, Ohio, Arkansas, Oklahoma, Texas and in fact almost every state in the Union, with the exception of Iowa, which, as a state, is the most uniform of all, agriculturally speaking, and one will observe that each state has a considerable portion of comparatively inferior to bad land located within its borders. There are sections in all of these states as good as the best in Iowa, but in so far as the general public is concerned, the bad or inferior parts of each state contaminate the good in so far as rate is concerned, and, as a consequence, while the rate may be equitable to the hazard taken in the inferior section, it is not fair and is decidedly inequitable to the good sections of the states so situated, as the average rate thereby is raised and causes confusion to the uninformed.

Hostile Legislation Killed Its Own Objects

Hostile legislation against foreign corporations, building a wall around state boundaries, have had a reversal of the objects to be accomplished and have resulted uniformly in higher rates for money. The competition of highly organized corporation bonded indebtedness where, for the most part, the income tax is paid by such corporations has to a large extent up to the present time diminished the amount of money available for farm mortgage investment. The same can be said for municipal bonds, because of their freedom from income tax, and larger convertibility.

Farm mortgage bankers have persistently battled against these obstacles and have been very largely responsible for the lowering of rates, and significantly may I state, that instead of being blamed for the high rate prevailing in some sections of the United States, they should be praised for their consistent endeavor to overcome handicaps imposed upon the farm mortgage borrower in the good sections. These same bankers, defined in the forepart of this paper, have negotiated nearly $2,000,000,000 of the farm mortgages in force and nearly all of the $1,200,000,000 held by insurance companies, trust companies and savings banks of the United States, which latter volume of business represents the lowest average rate paid by farm borrowers in all sections of the United States. This may be a surprise to some people who have an erroneous idea that the farm mortgage banker was gouging the life out of the American farmer.

If the volume of mortgages upon which a low rate of interest was charged could be set apart in comparison with the volume in force where high rates obtain, the apparent significance of the difference in rate herein mentioned would vanish in my judgment.

Mortgages Often Indicate Growing Wealth

There seems to be a general impression abroad that, in our country, the mortgage debt of the American farmer was forced upon him and that he is suffering a tremendous handicap by virtue of this indebtedness. If one would but stop to think he would soon come to the conclusion that this impression is wholly wrong and without foundation. Instead of being a burden it has been the chief cause of our wonderful agricultural development. The business of farm mortgage banking is quite the reverse of other banking activities in that to a very large extent the lender seeks the borrower to a much greater extent than in any other line of banking. If one would stop to consider the relation of the difference in rate of interest paid under present conditions as compared with the fiat rate contemplated in present legislation (and I am now talking about the great bulk of mortgages, where after making liberal allowance we may assume that the rate paid by the borrower in the comparatively highly developed agricultural sections would not exceed 6¼ per cent it can readily be seen that the contemplated saving will not exceed 1¼ per cent per annum, 5 per cent being the contemplated flat rate. And by computing land values on the basis of $100 per acre, which is a fair average price for lands in the better sections of the United States and assuming that these farms are encumbered to the extent of 50 per cent of their value, or at $50 per acre, the annual saving per acre would be exactly 62½ cents. And in the sections where higher rates prevail and where a comparatively lower volume of loans are in force, we will assume that the difference in saving would be 3 per cent per annum or $1.50 per acre. When one contemplates that, aside from interest, the cost of crop production per acre for small grains, cotton, corn and other food products run from $8 to $15 per acre, it would seem that more stress in this connection should be laid upon the waste and poor methods of present farming rather than to devote so much time and effort in attempting to reduce the rate of interest on money borrowed.

Misunderstandings as to Variable Rates

Considerable misunderstanding is afloat in the minds of politicians, and real students of rural economics, with reference to the equity of a variable rate between different sections of our agricultural districts. For instance, they cannot or will not, I do not know which, discern why the interest rate and rate of commission should be less in Illinois and Iowa than in the Dakotas or Montana or in other more remotely situated territories from money centers.

May I offer this illustration from my experience: I have witnessed the average in unit loans in Iowa and Illinois grow from $3,000 to $8,000 in 10 years. The rate of commissions have decreased with the increase of the unit loaned. Ten years ago it cost the borrower from 3 per cent to 5 per cent commission above the basis rate spread over a period of 5 years, or ⅗ per cent to 1 per cent per annum, or a gross of from $90 to $150 on a $3,000 average sized loan, and at present the gross commission rate now paid rarely exceeds 2 per cent and is somewhat lower in a great many cases or in amounts ranging from \$80 to \$160 for a loan of \$8,000, covering a like period of time, or 1/5 per cent to 2/5 per cent per annum. It costs as many dollars to make a \$1,000 loan as it does to make one for \$10,000, and it is not reasonable to expect that the rate of commission will be as low in districts where loan units average \$1,000 to \$2,000, as in that district where the limit is 5 to 10 times as great.

The investor, in the last analysis establishes the basis rate, and the size of the loan unit, and the expense of making the loan and degree of profit charged constitute the rate of commission.

There is some need of reform in the cost of appraisement. While it must be admitted that as the hazard increases the more frequent must be the inspection and investigation, and consequently a greater cost per unit, competition, also, has been responsible for the payment of too large a compensation by loan companies to local agents for work done and responsibility assumed by these agents. Aside from this cost paid local agents it must also be admitted that it costs more to convince investors of the desirability of loans arising in districts not quite as standard as in the agricultural district known as the corn belt.

Added to the 2 items of initiating and selling expense, the farm mortgage banker must sustain an office expense, with highgrade, competent men in charge, to whom generous salaries must be paid. Their service to the investor and therefore to the borrower is practically to assume the care for all their negotiated loans, for the entire period the loans have to run, and to morally, if not legally, stand between the investor and any possible loss that might be sustained by virtue of forgery or defects in title. I think it perfectly justifiable that the borrower should pay a reasonable price for this service, because without it he could not be financed, except at a ruinous rate of interest.

Need of a Valuation System

If our politicians would devote half as much time and energy to a thorough and scientific study of this question instead of trying to write into our national statutes a law based on a practical exparte statement of grievances voiced by certain well meaning but misguided reformers, they would have found a way of defining value, so that it would not cost so much to ascertain it.

In their investigation of so-called European rural systems why do they not report how value is determined in Germany and other countries in relation to farm land? Are not appraisers appointed by the various subdivisions of states and municipalities, empowered with authority to appraise property based upon income for the different classes of land for a given period, and are they not empowered with judicial authority to demand and exact true statements of income from owners and operators of the various classes of agricultural land?

These appraisements are made periodically but regularly, and by computing the average net income of the different classes of agricultural property a definite, average rental value is thereby determined. This rental value when multiplied by a figure, the interest on which if computed at the current rate prevailing for the use of money or credit, would produce the average value of the given class of land. The significant feature of this appraisement is that the value determined thereby forms the basis of value upon which the land is taxed.

Under our clumsy and inequitable taxation methods taxable valuations have but very little, if any, bearing on the real value of property listed for taxation. While it is true that income alone is not the only governing factor of value it is the real factor and the only one needed in determining the taxable value.

Given a true taxable valuation of our various farm properties in all of our states, their classification could be early determined and it would be comparatively inexpensive to determine the degree of social and sale value and the moral hazard incurred entering into the loanable value of farm land wherever situated.

If this system of taxation could be put into operation, it would force farmers, like other business men, to keep accurate records of their transactions, in order that they could give intelligent answers to official appraisers regarding the income value of their property. This semi-compulsory requirement regarding the keeping of records of income and outgo would be as great a blessing to farmers as it is to individuals engaged in other business activities. A vast saving of commission and a lower rate of interest, a better credit and a much improved mental condition would be the compensation for what might seem a slight increase in the payment of taxes over what the farmer is now accustomed to pay. I am, however, a firm believer that under such a system of taxation the reduction in rate on the increased valuation of our farm lands would as a matter of fact not increase the amount of taxes paid, but actually lower such amount, and the net result would save the borrowing farmer practically from ½ per cent to 1 per cent per annum in reduced commissions on his mortgage loans, because it would eliminate the great bulk of the cost of repeated inspections and simplify appraisement difficulties immensely.

One-Crop Sections Must Change to Get Lower Interest Rates.

Whatever system of farm mortgage banking is desired, the underlying principle must be financial trustworthiness on the part of farm borrowers and without a change in farming methods in most of the so-called one-crop sections of the United States there can be no hope vouchsafed to farmers in these sections that interest rates will be much lower than now obtain. Any rural credit legislation should make borrowers participating under its provisions qualify to a simple standard of diversification of crop raising and livestock operations.

Better and more efficient farming and a prohibition of soil robbing should be the slogan of all concerned in the handling of rural credits.

Farm mortgage bankers have a sincere appreciation of the difficulties confronting the serious-minded people who are concerned with the future of the homeless tenant. A great many people think in average sized terms of acreage approximating 160 acres in contemplating land that should be purchased by the homeless tenant.

Tenancy is with us in all farming sections and is growing with alarming rapidity in our best developed sections. It is useless to think of tenants, without considerable money in hand, buying land in 160 acres or larger units when prices for land run from $75 to $250 per acre.

Land owners cannot afford to take the hazard and the good tenant without cash who means to make a binding, earnest payment likewise shrinks from such an undertaking.

The social value of land in the better districts appeals just as much to the tenant as to the purchaser with means and this fact has no doubt been the means of keeping a multitude of tenants in the good districts from taking up cheap government land where social value is negligible. It is true that a good many tenants have become land owners in good districts by the payment of comparatively small earnest money payments and the thing that has saved a great many of them from failure has been the appreciation of land sale values, thus permitting the unsuccessful tiller of the soil to unload his burden at a higher price, thus saving the increase in selling price over the purchase price. Some of the wise tenants of this class have reinvested this money in smaller acreage units and have thereby increased their equity and where land sales are active and crops reasonably sure, this process has been repeated often enough to bring about a condition where the once homeless tenant finds himself the owner in fee simple of enough acreage, to put him in a position to mortgage this clear land and purchase additional acreage, with good prospects for his success in ultimately paying for such purchase of land out of the fruits thereof. This system works out fine as long as crops are good and when land is readily salable at an advanced price.

Protracted periods of drouth and rainfall and other elemental disturbances amplified by crop pests, sickness in the family, etc., make the hazard great and no one should seriously think of promulgating a system of rural credits based upon mortgages taken to finance such purchases and issue bonds against them, unless they were protected by a state or government guaranty, which guaranty in turn would have to have behind it a cash fund of sufficient magnitude to protect the investor in such a bond against defaults from whatever cause. The constitutionality of such a guaranty, however, is a grave question.

Landless Man Must Be Able to Pay Half Down

It seems, therefore, that until the homeless tenant acquires a fund large enough to pay or obtain credit to permit him to pay at least 50 per cent of the purchase price of land desired, he must be dismissed from participating in any scheme of long-term credit such as is now contemplated. As discouraging as this may seem there is a way out of the dilemma in my opinion, if we can get our homeless tenant to think in terms of smaller acreage and to think in terms of intensified instead of extensive farming. Instead of thinking of 160- to 320-acre farms, start on a 5 or 10-acre farm close enough to a fairly good town with good school anch church facilities to take care of the social needs of his family and if need be, rent a small cottage in the village and work the 5 or 10-acre tract for all it can produce.

Right here is where the building and loan association can do a service it does in building homes for salaried people living in small villages and towns, and if the man and his family have the righ kind of stuff in them they will soon have accumulated enough with what help the building and loan association can give them, and be glad of the chance, to erect a comfortable home and otherwise improve the property as the case may require. Small acreage property under a high state of cultivation is about as salable a proposition as can be found and the hazard of loss to both the owner and lender is reduced to a minimum.

The earning capacity of 5 good acres of earth rightly handled and added to the earnings of a man willing to work will be sufficient to pay all carrying charges and to earn a surplus each year which will in an incredibly short time permit the owner to erect and maintain a home and to become the kind of a citizen every well-thinking, serious-minded person wants to be.

Tenant farmers, like all beginners in other lines of business, must start at the bottom and work their way into larger things, by a system of close application to the work at hand with the tools they have, and by the exercise of thrift and economy fundamental to all success in this world.

Farm mortgage bankers are concerned principally in long-term mortgage credit. They have had years of experience ranging from 10 to 50 years in granting this kind of credit. There have been failures in this line of business just as in all other business ventures, but I think I am safe in saying that less money has been actually lost by farm mortgage bankers for their clients than through any other line of investment securities, excepting, possibly, municipal bonds supported by the taxing power of our various branches of government. None of the farm mortgage bankers have grown excessively rich out of this business. It has been profitable, but not excessively so.

One of the features most prominently mentioned in proposed legislation is the predicating of mortgage loans as security for debentures issued in convenient form and maturity to attract the small investor. Most of the well-meaning enthusiasts glibly say that these bonds will find a ready market and that all that is needed is to have a sort of government paternalism cast over these bonds to make them eagerly sought after by the public.

The experience of several companies doing this business has brought to light enough troubles and handicaps to cause me to say that this kind of financing should be handled with extreme caution and that the supervisory control of the government should be worked to its highest efficiency before launching this craft out upon the investment sea. Contrary to past experiences, mortgages of the most superior merit regarding security and moral hazard should be the ones that should be trusteed for bond issues, rather than to countenance the practice of placing in the debenture trust such mortgages as do not possess sufficient attractiveness to sell, only to reappear again in the form of debenture bonds.

Policy of Organized Farm Mortgage Bankers

Knowing the business of farm mortgage banking thoroughly, both as to its strength and weakness and as to the desirability of handling and selling both mortgages and bonds, the farm mortgage bankers of the United States in convention assembled at St. Louis in October, 1915, after giving months of study and serious consideration regarding proposed legislation by the coming Congress adopted the following resolutions:

This association was formed and exists to further any action which will facilitate rural credits, whether by legislation or individual or organized private effort. We therefore favor rural credit legislation so far as it may, without violation of the constitutional and other vital principles of our form of government, and without disregard of economic law, be effected to the common advantage of the borrowers and the lenders of the country.

We believe it is a self-evident truth that credit has no expression without "financial trustworthiness." The borrower must have it and the lender must believe the borrower has it. A successful system of rural credits must recognize this truth, and the mutual interdependence of borrower and lender.

The form of rural credit, however, which the members of the association are engaged in furnishing, is long time credit on approved land security. The association therefore confines its specific recommendations to the form of rural credits, although it recognizes that there are defects and deficiencies in the facilities open to the tenant without land, or the new comer—either immigrant or city-bred—who would go on the land. This association applauds the efforts to help both the nation and this type of individual by financing his establishment on the land, and would be pleased to render any assistance within its power to such a movement.

In considering the phase of rural credit having to do with long term loans on the security of land the association accepts the following fundamental propositions:

1. The object to be accomplished is to so mobilize this form of rural credit as to make it available to every land-owning farmer in the United States on terms as favorable as the market afford, consistent with the security offered.

2. To accomplish this object it is neither necessary nor consistent with the principles on which this government is founded, to lend to farmers, as a class either the credit of the nation or its moneys, either directly by government loans, or indirectly by subsidies or guarantees.

3. The object is, rather, attainable by removing those obstacles, legal and otherwise, which prevent the farmers' paper from reaching the investment market generally in such form, on such terms and from such a source as to make it at least as acceptable in the matter of assured security, convenience of handling and convertibility, as any other investment of equal intrinsic merit.

This association believes this object, once attained, would provide for the farmer:

1. Credit in quantity much greater than at present, and in quantity certainly sufficient for all legitimate purposes.

2. Credit on a basis of intrinsic security, rather than of extrinsic factors such as the special laws of any given state, the distance of the security from the source of the funds, the terms as to maturity, etc., on which it was desired to borrow the money. This result would be gradual, requiring the amendment of the state laws as to titles, collections, taxation, etc., among other changes dependent on the citizens of the states, and not on anything the federal government can do by statute.

3. Loans for long terms, as well as short terms, "Straight" or serial maturity, or amortized as to principal, the latter free from renewal worries or expense.

4. As low rates of interest as the free play of supply and demand in the investment market affords, when not encumbered by the factors of lack of confidence, lack of convenient form, convertibility, and legality for certain funds, which factors now bar the farm mortgage from a very large market. We do not believe that lower rates can be obtained in any other way, and least by arbitrarily trying to fix by statute either interest rates or margin of profit or terms of negotiation.

To carry out the object outlined we believe that so far as possible present machinery should be utilized and supplemented to that end. We favor the enactment of a federal law if constitutional, providing for the formation of national land mortgage banks with federal charters, subject to federal regulation as to their methods and personnel, and federal supervision of their affairs in much the same way as the national banks of the country and managed and supervised. We believe that these banks should have the dual privilege of:

1. Negotiating, buying and selling individual farm mortgages, thus making it possible to conduct the business without interruption as at present so far as the public demands.

2. Issuing farm mortgage bonds against the collateral security of farm mortgages made either for straight or amortized to give the special advantages of this form of security.

We believe that the safety of the securities issued by such banks should be assured by very careful regulations, including provisions that the issuance of bonds and the power of substitution of mortgages collateral thereto should be under the immediate control and supervision of the proper federal authorities, and also that a graduated guarantee fund should be established out of earnings, in proper ratio to the outstanding bonds, this fund to be invested in securities at least equal in quality, and of a standard established by federal law, and to be held separate from the general assets of corporation.

We believe that the minimum capital stock of such banks should not be less than $500,000 for the reason that less capital responsibility than that would fail to commend the degree of confidence necessary in the investor and that it is desirable to have at least that amount of capital responsibility between the investor and loss, from the outset.

We believe that the volume of the outstanding liabilities should not exceed 20 times the unimpaired capital and surplus of the bank.

We believe that these banks should be free of limitation as to their territorial scope, either in securing mortgages or selling mortgages and bonds, thus obtaining the advantage of unrestricted markets for their securities and sell to their customers securities on terms most acceptable in their market.

We believe that the federal provisions for the conduct of such banks should include the qualifications for the mortgages eligible for purchase or negotiation of those banks.

We believe that where these mortgages are purchased from a negotiating agent and are not negotiated direct by the national land mortgage bank, they should be purchased only from such individuals, partnerships or corporations as shall qualify under the provisions of the federal act and which shall be duly inspected and passed upon periodically by the proper federal authorities. We believe that this supervision would make it unnecessary to provide for the federal incorporation of small local mortgage negotiating concerns throughout the country, thus leaving any individual or group of individuals perfectly free to do business on the most economical plan, provided their securities measured up to the qualifications demanded, and provided their affairs were regularly inspected by a federal officer.

We advocate this system because we believe it would go far to obtain for the farmer the advantages above enumerated by giving to the investor the following advantages:

1. The securities of such institutions would be before the people with the prestige atached to government institutions.
2. The bonds of such banks would be made convertible by being standardized as to form and listed on the stock exchanges.
3. They could be issued in convenient denominations both large and small, making them available for purchase by small investors who now have practically no safe investment open to them except the savings banks;
4. They could be issued with both long and short maturities, thus reaching a large market, especially in the East which today confines its investments to securities of short maturities.
5. They would offer the investor a security which would not involve the troublesome prepayment privileges now attaching to most individual farm mortgages.

These and other advantages would open up a large market now unreached by the existing farm mortgage companies and this market could be decidedly amplified by federal provision; including making them legal for the investment of postal savings.

We believe it also likely that gradually it would be possible to secure the amendment of state laws in such a way as to make the securities of these banks legal for savings banks and trust funds now barred from farm mortgage investment by existing state laws, and to secure the modification of state laws as to taxation which now bar farm mortgages from several states.

Resolved: That the Farm Mortgage Bankers' Association of America approves the foregoing general outline of recommendations concerning rural credit legislation which has been prepared by the board of governors, and direct that such recommendations be embraced in a formal presentation of the views of this association to the joint congressional committee on rural credits, with such minor modifications as the committee appointed by the governors may be necessary.

Any rural credit legislation which fails to utilize present farm mortgage banking machinery and seeks to establish a wholly new order of negotiating or selling agencies would be highly undesirable.

The experience of farm mortgage bankers acquired through many years of handling farm loans ought not to be cast aside without an effort to make the largest and fullest use of it.

WHAT THE NATIONAL BANKS ARE DOING

B. F. Harris

President, First National Bank of Champaign, Illinois, and Chairman, Agricultural Committee, American Bankers' Association

We have same 30,000 banks in the United States, 26,765 of which report their condition more or less in detail, their loans and discounts aggregating 15¼ millions; bonds, stocks, etc., 5½ millions; their total resources amounting to more than $24,000,000,000.

Seven thousand, five hundred and twenty-five of these are national banks with total resources of $9,150,117,780, and 14,512 are state banks of the commercial class or national type with resources of $4,353,663,536.

There are, in addition, some 3,664 mutual and stock savings banks and loan and trust companies under state supervision that have resources of almost $11,000,000,000.

Only about 34 per cent of the almost 25 billions of dollars, total resources of the 26,765 reporting banks, are held by national banks,—in other words probably 65 per cent reporting bank resources are in state institutions.

As between the 7,525 national and 14,512 commercial state banks, the state banks hold about 32 per cent of their joint resources, but if we add the 3,664 savings, and loan and trust companies under state charter, we find the 18,176 state supervised banks have over 15 billions of assets, or more than 62 per cent of the joint resources of state and national banks.

Something over 258 millions of the 14,512 commercial state bank assets, or 9 per cent of their loans and discounts, are in farm mortgages, or a total of 18½ per cent in all kinds of real estate loans.

If we consider all the 18,176 state supervised banks we find that 437 millions, or 5 per cent of their loans and discounts are in farm mortgages, or more than a billion and a half dollars or 18 per cent of their loans and discounts in various kinds of real estate loans.

Until the passage of the Federal Reserve Act, national banks were not permitted under the law to loan money on real estate, and only to take real estate for building purposes, or as a last resort to protect weak loans.

At the time of the adoption of the Federal Reserve Act, only about 75 millions of national bank resources were concerned with real estate, or less than 5 per cent of the amount of state bank real estate loans, and very little of this was farm loans.

Data as to the national bank holdings in farm mortgage loans under the Federal Reserve Act are not available at this time.

It is interesting to note just here that we have located 437 millions of farm loans, in the banks of the country, and considerably more than 500 millions with our 24 largest life insurance companies.

There is a feature of the bankers' work, however, both national and state, on which we cannot get accurate data, and yet it is the very largest service he does in the farm mortgage line.

From law and necessity the banker cannot tie up, or for any long period, any large proportion of his assets in farm mortgage or other long-time securities. He is, however, constantly buying and turning over farm mortgages to his investing customers and outsiders.

He may have sold and there may constantly be held locally a sum in farm mortgages equaling or several times exceeding his bank's farm mortgage holdings—not to mention the mortgages for which he has found a foreign market.

If the banks own upwards of 500 millions in farm mortgages, they have at least supplied and kept local capital loaded up with several times this amount.

To sum up this data shows that of 18,176 state supervised banks having resources of over 15 billions of dollars—the 3,664 savings and trust companies having 11 millions of the 15 billions of assets have a billion of real estate loans, while the 14,512 commercial banks having less than 4½ millions of the assets, have over a half million in real estate loans, almost half of this, or 59 per cent of all state bank holdings, in farm loans.

In other words, the commercial state banks have 18½ per cent of their loans and discounts in real estate, and the state savings and trust companies have less than 10 per cent in this class of loans.

This rather revises the theory that commercial banks should handle less and investment banks more so-called long time loans.

It seems to me that from all this maze of figures 2 facts stand out clearly:

First: The rank and file of commercial state banks have carried the bank load of farm mortgages, and that the national banks may easily and relatively carry an equal load, more particularly now that they have federal reserve banks back of them. The figures above and experience time and again has demonstrated that so-called ''bonds''—local public service, corporation debenture, or ''blue sky''—whatever they may be and which a national bank may pile up ad infinitum, are not so liquid, or convertible, or so safe as good farm mortgages. On the other hand, they are in many instances more salable and convertible than such of the so-called short-time paper county banks hold—and have to hold and renew as a matter of business.

Second: That the great success and vast number of state banks—more than 2½ to 1 national, and 62 per cent greater aggregate resources—and their success with farm mortgages, proves that the states can solve their own rural credit problems as well or better than can the federal government.

It is accepted doctrine that the federal government should not undertake to do what the state may as well or better do for itself. At this stage of the development, the federal government's part if any in rural credit legislation is very slight and only of a general character—with the chances that we would be as well or better off with none at all from Congress, as what it is likely to give us.

Now a national bank is supposed to be a commercial bank in a liquid condition. And yet it is a principle of every country banker that he may have a note and has a great volume of notes of bankers that run 90 days or 4 months or 6 months, and in many instances those farmers, although the note is absolutely good, no question about it, it isn't convenient for those farmers to pay that loan and that loan is not liquidated because if the bank forced the payment of the loan it would inconvenience the farmer tremendously and when that passed over that farmer would never come back to that bank and do any business. And so those notes that are supposed to be liquidated, really are not liquidated. And during the last panic we found, and it was the experience of bankers all over the country, who had first-class mortgages, that those first-class mortgages were really the last liquidated of any they had and the first liquidated of any they had was their reserve assets here in Chicago banks and New York banks and elsewhere.

I think we are apt to have, quite apt to have federal legislation on the subject. The politicians have said so. The people may find some reason that suits them whereby we should have it. But I believe that the chances are that we would be as well or better off with none at all from Congress unless it would be some enabling act, and some of the enabling acts that some of us really want.

When you go into the mortgage side of the question, where it becomes even more a local question because every one of the 48 states has so many different conditions with reference to mortgages and examinations and the times of foreclosure and a thousand other things that are tremendously complicated, it doesn't seem possible to me that the federal government can pass any act that will cover 48 states and give all those 48 states the opportunities they ought to have. A general bill will give one section too much advantage and the other section not as much advantage as it might have.

A PLAN FOR A COÖPERATIVE SYSTEM OF RURAL CREDITS

Robert D. Kent

President, Merchants' Bank of Passaic, New Jersey

The subject of rural credits has recently received and will continue to receive much attention, and undoubtedly Congress will in the near future legislate upon it. The increasingly scientific nature of agricultural work, the apparatus required on the modern farm, and the gradual disappearance of free or low priced land have combined in effecting a dependence of the farmer upon the banker for financial aid. This reliance upon a class, whose interests are frequently regarded as alien to farm development, has had only mildly satisfactory results at the best, and in some cases has given rise to conditions which are well nigh intolerable.

A friend of mine who is a literary person of keen observational powers upon reading a preliminary draft of this paper told me the following true story.

''For many years I was in the habit of visiting a place in Western New York which is the center of what is probably the richest farming district in the state.

''The village, which we will call Sparta, (though that is not its name) is rather remarkable for the culture and intelligence of its so-called ''society people'' combined with a cosmopolitan spirit somewhat rare in a village so far from the seats of the mighty. All sorts of hospitable affairs were going on constantly, winter and summer, and evening card parties were exceedingly popular.

''Sparta is a place of active business interests. There is a flourishing national bank. The president of the bank, John Ballin, which of course is not his name, was always in demand in the social life of the place. Tall, dark, handsome, merry, engaging, a charming host, an appreciative guest, he was welcomed everywhere. In business circles he was feared and hated. The name given him there was the 'spider.' I should add that John Ballin was one of the most generous supporters of the little 'Church of the Savior' the church to which 'our set' belonged.

"In my drives about the beautiful country sometimes far afield, I would often come across stately farmhouses, in the midst of prosperous acres. To my inquiry, 'Who lives here?' the answer would frequently, oh, very frequently be: 'It's one of the Ballin farms, rented.' I supposed that the bank took this mode of investing its money until I was undeceived.

By degrees I discovered that this was the Ballin way. A farmer in difficulties, the kindest reception at the bank, a mortgage raised, perhaps 2, great leniency promised if the interest was paid; then, at the legal moment, foreclosure. Gain on one side, ruin on the other. All this was well known. Ballin's plots were understood throughout the entire county, but the flies continued to seek the friendly web, and the spider continued to fatten. And the bank president continued to be the welcome guest. And, continued my friend, "Under the system of rural credits, as you have explained it to me, such villany as I have described would be impossible, and you have clearly shown why."

The facts mentioned in this instance are rather exceptional than typical, but they represent a potential evil which may not be overlooked. The need of remedial measures is now generally recognized, not only as safeguards against injustice, but on account of constructive benefits the need of which is plainly foreseen. It is then, very timely to discuss the nature of such measures.

Drawing Upon Experience of Egypt

The most important consideration is one of broad policy; whether it should result in a system of private organizations, or in a structure of government machinery. Let me quote a foreign authority, Mr. C. Scott-Dalgleisch, formerly general manager of the Agricultural Bank of Egypt, in a communication in the *New York Times* of February 28, 1915, he says:

> "I am convinced that private initiative must go a long way to determine the best method of handling the business of rural credits before the question of legislation arises at all. As the music is the accompaniment to the voice in a song, so should the music of legislation merely accompany and modulate the voice of performance. In no country has any real progress been made where intelligent and bold private initiative has not preceded any efforts to help by legislation.
>
> "Secondly, centralization is necessary adequately to valorize the assets of farm credit. No system of small scattered units

can succeed unless they are bound together in such a way as to make them *E Pluribus Unum.*

> "The Fletcher proposals and the McCumber proposals are as far as the poles asunder, the one looking to the creation of a new system of dispersed independent machinery, and the other to the establishment of a central governmental engine.
>
> "Legislation may and will follow to smooth out the rough places and to remove the obstacles that will arise in certain places, but much may and should be done before that comes. What is wanted is a Raiffeisen or Schultze-Delitzsche to do something, and then the legislators may find useful work in helping the pioneer to round out his work by making it possible for all sections of the country to benefit alike."

It must be understood that this paper is conceived in very much the spirit of these remarks. Its suggestions are made in the feeling that governmental operation of business institutions is undesirable, and very largely unnecessary. When such participation by the government becomes mandatory, by all means let us face the fact and insist upon thoroughness, but until that time comes let us be content with regulation, and but little of that, in short, as much as necessary, but as little as possible. Moreover, it would be a shame to deprive the farmers of the United States of the tonic effect of working out their own financial salvation.

Simple, Self-Capitalized Rural Credits System Needed

For the principles of the solution are simple enough, it is only the details which must be carefully worked out. This paper is concerned only with a discussion of these principles and some suggestions born of practical experience which should be of value in planning the details. Beyond this, success depends on the efforts of intelligent legislators. What we hope they will accomplish is the adoption of legislation effecting the creation of a uniform, simple, and self-capitalized system of rural credits. In constructing it they must provide for flexibility, and above all they should give it the character of a popular (in contradiction to a bureaucratic) system. In framing legislation for rural credits it must be done in a realizing sense of the normal relations that shall exist between the borrower and the local associations. The system should be adapted to the conditions which will be met. These should not be strained, in order to carry out the requirements of a law that was imperfectly framed to meet circumstances not fully understood.

Lest it should be thought that this is requiring too perfect a labor it is reassuring to look at an institution which has for some decades shown these qualities in widespread operations. I refer to building and loan associations, and offer their type as a pattern, which, with alterations in 2 or 3 particulars, would serve most aptly for rural credit associations.

Building and loan associations have long been recognized by persons who have given careful thought to the subject as containing the principles best fitted to build the foundation of a structure of rural credits. As I am somewhat familiar with these organizations I offer my observations as a contribution to the economy of rural credits.

The general plan of building and loan associations, at least in New Jersey and Pennsylvania, where I am most conversant with their methods, is essentially coöperative. The shareholders pay monthly dues and the amount accumulated becomes available to lend at interest of 6 per cent. The shares appreciate in value from monthly payments, compounding of interest, fines for tardy payments, and premiums on loans. If a member pays $10 a month for 11 or 12 years his investment of approximately $1,380 will amount to $2,000 at the end of the period when his shares mature. Only members may borrow; if they wish to borrow more than the amount which they have already paid in dues, mortgages are taken as security. Frequently there are several applicants for loans, and the association is enabled to exact a premium for its money. The extremely valuable features which distinguish these associations are compulsory prompt payment, economical operation, and intimate personal knowledge of prospective securities and borrowers.

In properly managed associations under good conditions non-borrowers should net say 7½ on their investment and borrowers, by making allowance for the earnings on their shares should find that the cost for their mortgage loans was about 5 per cent.

Building and Loan Association Plan Can Be Adopted

The structure of these associations can be advantageously taken over into farm loan associations. Each agricultural community should organize into an association all of the farmers and others who desired to share in the prospective benefits, at the rate of $1 a month per share. If 500 shares were subscribed, the end of the third month would see a fund of $1,500 available for making temporary loans to such members as might need to borrow. After the lapse of a year the accumulated dues, interest, and repayments of short loans would amount to enough to warrant the association in embarking in the farm mortgage business.

Security for short loans might be chattel mortgages on cattle, and under certain conditions, liens on growing crops. A friend of mine who had been cashier in a Nebraska bank once told me that in an experience of 20 years his bank had never lost a dollar on loans secured by cattle, but growing crops had proved unsatisfactory as security, since about 1 crop out of 4 was a failure. The 3 good crops might each be worth tenfold the loan for which they were pledged, but this, of course would not compensate the bank for the 1 poor crop if that had to be foreclosed.

Short term loans could be frequently made with safety upon the note of the borrower with one or two endorsements. The longer term loans would be secured by mortgages in the usual manner.

Three qualities of building and loan associations would undoubtedly be found in rural credit associations organized on the same plan. The operating expenses would be correspondingly low There would be a continuous compulsion upon the farmer members to meet their obligations of monthly payments. The directors being usually the largest stockholders and therefore most anxious concerning the prosperity of the association, would possess intimate acquaintance not only with the men with whom they dealt, but with the properties which figured in their transactions.

How a Rural Credit Association Would Operate.

The operation of a rural credit association organized in this manner can be best illustrated by the experience of a typical member. A farmer desiring to borrow $2,000 would subscribe for 10 shares of stock in the series issued that year. His expenses would be $10 a month for dues and $10 a month for interest at 6 per cent. At the end of about 11½ years he will have liquidated his indebtedness and cleared the last portion of his security, which has included property mortgaged to the association, and his own shares in the association pledged back to it. When the value of his shares has become $200 each, his assets have equalled his liabilities and the mortgage has been cancelled.

Here we have our farmer furnished with the strongest incentive to keep up his monthly payments, in fact he is practically compelled to do so. The thrift resulting from this fact has been abundantly demonstrated in building and loan associations, and corresponding benefits derived from it in rural credit associations can hardly be overestimated. Indeed, it is generally recognized that a membership in a building and loan association has been more conducive to thrift than a savings bank account. Furthermore, if other members have been tardy in making payments our farmer enjoys the accretion of a portion of their fines to the value of his shares. Even his own payment of compound interest is returned to him in the increased value of his holding. The safety of his funds is remarkably well assured, and is always under his observation. The expense of administration, besides being low, is at all times a matter of common knowledge.

He might be in a position to retire his obligations before maturity, in which case he should be allowed to do so and his stock relieved of the lien so that he could continue his membership until maturity of his shares. Then he would receive the full value of these shares, the same as a non-borrower. But should he wish to settle in full with the association, or should a non-borrower wish to withdraw from membership in the association, he should be credited with the withdrawal value of his shares at the time of the resignation. This withdrawal value would be somewhat less than full ascertained value, so that a withdrawing member would be in effect slightly penalized for not being willing to continue, the amount of the penalty being applied to increase by a trifle the value of the shares remaining.

How to Care for Large Disbursements

If large disbursements should be called for at the maturity of any series of shares, the natural method of making provision to pay them would be to hoard the income of the association for a sufficient period previous in order to raise a fund of proper dimensions. This, however, would cripple the lending power of the association and result in lost motion, which is quite as expensive in finance, as in engineering. To overcome this difficulty, payments to non-borrowers should be made in certificates of indebtedness. Such certificates are readily accepted by shareholders of building associations. They bear legal interest, are considered a prime investment, and are usually satisfactory to local banks as collateral for loans. A proportion (usually one-half) of the current income of the rural credit association should be set aside for the payment of these certificates.

In order that withdrawals by non-borrowers may not embarrass the operations of the association, it should be stipulated in the by-laws that not more than a certain percentage, say 50, of the current income should be devoted to the payment of withdrawals in cash, and in payment of certificates of indebtedness. Indeed, the maximum proportion to be devoted to each might well be specified.

It might happen, however, that a member could not pay his indebtedness to the association within the time required for the maturity of his shares. In such a case there should be a constitutional provision becoming operative upon action of the directors, allowing the delinquent member to pay less than the normal amount required by him in cash, and the remainder, in notes maturing when his *membership* matures. At that time a new mortgage for the total amount of the notes should begin to operate. The least amount accepted in cash, however, should be enough to cover the interest and leave a little over upon the principal of his indebtedness.

One other contingency which should be provided for is the theoretical situation in which the funds of the association exceed the amount required by *borrowers.* Indeed, this is sometimes encountered in practice, and can be met by retiring a necessary number of shares on which no loans had been made, to be chosen by lot and canceled at their full value without penalty.

These principles, then, are the structure indicated in the creation and operation of rural credit associations designed to enable *farmers* to finance *themselves.* Flexibility, economy, personal knowledge of securities, and utter absence of artificial interest rates are the factors which made for success. There remains to be considered the means of making such associations uniform and coöperative the country over.

Farming District Loan Association

To this end, any number of local associations not less than 10, and not exceeding 30, should form a district association. This latter organization should be governed by a board of directors consisting of 1 representative from each local association in the district—an arrangement affording protection against any particular local body which was not *conservative* in its methods.

The district association would furnish the *united guarantee* of all its constituent locals to a national association, much as the currency associations guaranteed their members (national banks) under the Aldrich-Vreeland law. The district association should be capitalized by the local associations, which should devote say 1-10 of their income to this purpose.

Organzing a National Body

All of the district associations should be federated into a national association, mentioned above. This body should receive from its constituent district associations, mortgages previously obtained from the locals, such obligations being passed up from time to time as requirements dictated. These mortgages transmitted to the national association should bear the guarantee of their originating district associations. The national association, thus *fortified,* could sell its securities to the public as long time obligations. The proceeds of these sales should be turned over to the district associations in return for the mortgages supplied.
The capital of the national association need not be great, it could best be furnished by the district associations to an amount sufficient to defray running expenses, and allow for advances, pending the sale of obligations. The national governing board might well consist of the comptroller of the currency, the secretaries of the treasury and agriculture, 4 men elected by the district associations from among their boards of directors, and 4 to be appointed by the president of the United States. The whole system should be under the supervision of a federal official, who should bear somewhat the same relation to the various associations that is borne by the comptroller of the currency to national banks. With an organization thus constituted there would be no difficulty in selling its obligations at a very moderate rate of interest, particularly after the public had come to know the standing of the National Rural Credit Association.

Centralized Control an Essential

Only by such a centralization of control could all the potential benefits of the system be realized. The advantages to be derived from it are obvious. The securities offered to the public would thus, on account of a reputation for solidity, and an insurance by diversified territory against crop failure, meet with a ready market which would hardly be available through any other means. A rural credit association in Alabama would have the same structure and methods as another in Massachusetts, and one in California would be amenable to laws worded similarly to those which regulated associations in Ohio; a rural credit security in Michigan would represent substantially the same thing as a security in Texas. In short, the institution would be standardized. The value of personal knowledge of properties and persons would be general throughout the country.

It should be arranged through a government franchise tax, or in some other manner, that the federal government should not be put to any expense in carrying out its part in supervising and regulating the system. On the other hand in my judgment the government should not profit in the matter at the expense of the stockholder, but should be satisfied with reimbursement for all the expenses incurred. This policy however might with propriety be modified to the extent of collecting the usual income from the corporation tax.

If, however, it should be though that the government should receive a profit from the operation of the system, there is one way in which this could be done without decreasing the earnings of the shareholders. That way is for the federal government to guarantee the obligations of the national association, thus decreasing the rate of interest which would have to be paid on them, by removing the last vestige of insecurity, a measure which would net the government a sum, representing the difference in interest charges, which it would be eminently fair and proper to receive.

In conclusion allow me to say that in carrying out the principles advocated we should not be taking a step in the dark. These principles have stood the test of practical experience. Under the operations of independent building and loan associations tens of thousands, yes, hundreds of thousands of homes have been built. The federation of rural credits associations proposed, is on the lines of the Aldrich-Vreeland Law, under which over $380,000,000 of currency was issued by the federated national banks in 1914. This eased the shock to the monetary machinery of the country, resulting from the European war, much as a disabled elevator, plunging, down a shaft would be gently stopped by a properly installed air cushion.

HOW OUTSIDE CAPITAL MIGHT AID IN TURNING LANDLESS MEN OF TEXAS INTO HOME-OWNING FARMERS

James E. Ferguson
Governor of the State of Texas

You know, down in Texas, we are far removed and have been for many years, from the outside sight of the world and we have been content to be the center of interest in the world's activities in our own way. Our vision has been somewhat prescribed and restricted to the questions such as have been discussed at this meeting heretofore. That is, I might say, up to 10 or 15 or 20 years ago these matters have not been considered with the seriousness that they ought to have been considered by our people considering the great advantages that we have to develop.

When I look around this audience, and when the secretary tells me that we have 46 states represented at this meeting, I am reminded of a story which is quite current down in Texas about a man who made a speech at one of our farmers' meetings some 15 or 20 years ago; and he undertook to tell the farmers what was the matter with their condition. In the course of his remarks he said, "Now, my farming friends, what is the matter with you is that you don't live at home, you haven't practiced and learned the fruits of conserving and utilizing your own resources. The great trouble is that you have contented yourselves with continually buying something from somebody else and selling nothing to anybody." He said, "Now, to illustrate what I am talking about, I want to call your attention to the fact that when you awake in the morning it is to the alarm of a Connecticut clock. You get up and button your Chicago suspenders on to your Detroit overalls. You go out and wash your face in the morning in a Toledo wash pan with Cincinnati soap. You sit down to the table and you eat breakfast from a table made in Grand Rapids, Michigan. And for your breakfast you eat Chicago meat, Tenessee flour cooked on a St. Louis stove. You got out and put a New York bridle on a Kentucky mule fed on Iowa corn. And all day you plow a farm covered with a Massachusetts mortgage with a plow made in Chattanooga, Tennessee, and when your day's work is over and you go home at night you read a bible printed in Boston, you read a prayer written in Jerusalem and you crawl under a blanket manufactured in the state of New Jersey to be kept awake all night by a damn dog the only home product on the farm.'' (laughter).

So, my friends, we have begun to realize that we have to prevent a continuation of that and it is by the discussion and attending the farm credit meetings and market associations that we in Texas are going to get some more out of this movement than you.

But I have been asked to address myself to the question of the need of outside capital to aid the homeless man of Texas to become a home owner. Perhaps it is only the native that is interested in the history of Texas. The valor of the heroes that gave her her independence, the struggles of her pioneers to blaze the way to her future glory are perhaps not matters of even passing interest to the non-resident. Suffice to say that upon the altar, upon the foundation laid by a noble industry, there is in Texas today a government where life and property are safe from confiscation and the oppressive burden of government. Texas is an empire in area of natural resources. No greater evidence can be produced of the resources of any country than we showing the number of people a country can support.

Natural Resources of Lone Star State

It has been said that ''progress and civilization begins and ends with the plow.'' Texas has 4½ million people at present and can support by agriculture alone 20 million people. Let me see if I can prove it. Germany has a population of 60 million people and provides for her population and aside from war periods her people are comfortably cared for. Germany has an area of 209 square miles. Texas has an area of 265,000 square miles, or more than one-fifth larger than Germany. Germany has a rainfall ranging from 16 inches, the lowest, to 34 inches, the highest, or an average rainfall of 25 inches. Texas has a rainfall ranging from 10 inches, the lowest, to 50 inches, the highest, or an average rainfall of 30 inches, or one-fifth more than Germany. Germany has 292 people to the square mile. Texas has 17 people to the square mile and you will be perhaps astonished when I tell you that reliable information discloses the fact that only 48 per cent of Germany is tilled or can be tilled in crops, the remaining 52 per cent is in pasture and vineyards, while 60 per cent of Texas is tilled and said to be tilled and the balance is fine timber and pasture lands.

It is true that Germany has a great manufacturing population, but agriculture is and has been the principal foundation of her activity; but what Germany has done in a manufacturing way, Texas can and will do when she has farmed her untilled area with an increased citizenship. So it must be apparent to even the most skeptical that if Texas exceeds Germany by one-fifth in area, in rainfall and in tillable area, it is apparent that she can support as many people as Germany. And yet for the sake of conservatism I have divided my figures by 3 and say that Texas will some day have and support 20 million population.

Again, to prove this, take any 4 states in the Union whose combined area equals that of Texas and whose population is 20 million and you will find that the fertility of no 4 states, and the climate can be compared with the fertility and the climate of Texas. Yet Texas has 230,000 tenant farmers, an increase of 55,000 since 1900.

There is no greater question that concerns the statesmen of this age than that of bringing into absolute ownership the man who will in person cultivate the soil. This condition means, my friends, that the country must be in possession of the small home owner and calls for the most serious consideration of any governmental policy which will bring about that result. It even calls for the most progressive legislation that may be enacted under the public welfare powers of the government. The philanthropist can find no greater field to benefit mankind than to lend, not donate his money, to a worthy and ambitious citizen struggling to feed and clothe his family, educate his children and own his home. As I have shown that Texas can support 15 million more people than she has, and as the federal census shows that there are 2½ million tenant farmers in the United States, the solving of the Texas condition becomes almost one of national concern. With the proper financial assistance, Texas can furnish a farm of 50 acres to every tenant farmer in the United States.

Outside Capital a Great Need

And that is the question that we in Texas are confronted with today, through no want of shift or energy, but largely from the fact that we are a comparatively new people. Large financial reserves have not been accumulated in Texas; and consequently, the assistance which the tenant farmer needs in the way of long time loans at reasonable rates of interest will have to be obtained from outside sources. And so, we, the people of Texas, have committed ourselves to bringing about this result. We have committed ourselves to the task of passing legislation that will hold out every inducement to the foreign investor. Texas is duly grateful for the help and the great philanthropy that has been extended to us by the outside investor. We have learned many and valuable lessons by that relation, but up to the present time the development of our untilled area, now one 100 million acres, has been greatly restricted by 2 causes: first the want of enough outside capital; and second the restricted terms upon which the money was loaned and is loaned.

Under the present rule in Texas the farmer is required to pay down at least one-half of the value of his farm before he can obtain the loan from outside sources and his interest rate is rarely under 7 per cent. As the gentleman told you, the average rate is 9 per cent. I am not complaining, understand me, friends, but I am only telling you the conditions with which we have to deal and to show you the task that is before us.

So, we in Texas began to realize that having 100 million acres of untilled land susceptible to intense cultivation, that we must turn our attention to bringing under the plow our vast area of unimproved land and we are inviting the people in Texas to help us settle these small homes by money being loaned to the small owners.

Put Tenants Upon Unoccupied Land

Again, as has been stated here today, to the tenant farmer where land values are high, where lands are restricted to the improved districts, the tenant farmer under those conditions can never own a home, the door is eternally closed to him. And so it is in your state, every state in this Union. And if we are to have the homeless man to realize his hopes we must turn our attention to putting him on the unoccupied land. Land sold at $100 an acre to the tenant farmer even at interest rates of 5 per cent does not help, because it in reality represents a rent of 5 dollars an acre plus taxes and maintenance. The average farmer cannot pay it, and consequently he must look to some other field to get a home; and that is what we want in Texas. Understand, we have got no fake securities to sell you. I would rather today have a loan in East or West Texas of $5 an acre on land worth

$10 an acre than have a loan of $50 an acre on land supposed to be worth $100 an acre. The cheaper land has the greatest future before it and will increase in value quicker. And that is the problem that confronts the people of Texas.

But, my friends, speaking on a broader sense, the problems of Texas are in reality only a part of a great national problem. For 50 years in this country those laying claim to the names of statesmen talked about the sins and virtues of the tariff. Every few years brings a new crop of "trust busting" politicians who ride into office on that old issue. Today we have many would-be statesmen, who, seeking to make themselves available candidates for president, are prattling about the virtues of national prohibition and they tell us that that great reform will banish all the troubles of the nation. *But, in my opinion, my friends, these questions, important in some degrees though they may be, are nothing compared to the great question of a governmental land policy to be adopted in the United States.*

Why the Growth of Unrest?

In the beginning, let me emphasize my allegiance to the sacredness of private property. That right should never be invaded in this country, lest it be clearly in the exercise of some need of the public good. But the question that I want to impress upon you is that in this country that those of us who worship at this shrine of private property must not deceive ourselves. We are absolutely alarmed at the rapid growth of that school of political economy in this country which stands for the public ownership of all property and the withholding of all private ownership of any. With the growth of this idea the number of tenant farmers have increased in this nation in a greater proportion. The number less then a million 30 years ago is today 2½ million. Step by step a spirit of unrest seems to be spreading throughout the United States and unconsciously we ask ourselves who in the last analysis is going to preserve this republic?

I do not want to alarm anybody but silently and surely we are approaching in this country the greatest crisis in our history as a people. We are today face to face with conditions that threatens us from afar and at home. We must protect ourselves from those who might destroy us and attack us from without and save ourselves from those who would destroy us from within. The first may be accomplished by the sword, but the second can only be accomplished by the plow share.

"Oh," but you say, "would I force the rich to buy homes for the poor?" No, one thousand times no. But I do boldly declare that if in this country those who have and can do for others fail to heed the need of a homeless people who cannot do for themselves by themselves, that they are inviting further trouble which may grow all too soon to a degree too serious to contemplate. Build the small home in this country and this republic is safe. Did you ever hear of a man taking a shot gun and going out and defending a boarding house? No. But history is replete with the story of yeomen, and the valor of yeomen of many ages who laid their lives upon the altar of a home. So that is the question that confronts America.

Let me illustrate to you what I am talking about. Within the past few months the financial interests of the United States have loaned to the European nations 1 billion dollars and we are told that within the 12 months they are to loan another billion dollars, making a total of 2 billion dollars. This in my opinion is one of the greatest mistakes that has ever been made in this country. It does not help us to protect ourselves against anybody else; it makes us indirectly a party to a transaction which excites the animosity of the people against the government to which such loans are made. You will be perhaps astonished when I call your attention to the fact that 2 billion dollars would make a loan of $800 to every tenant farmer in the United States—enough to start them all towards the ownership of land. Let him that hath, my friends, loan to his fellow that hath not, and that flag will wave long and proudly over the land of the free and the home of the brave.

I hope the time will never come, my friends, when the government will have to take up the question of settling the vast untilled areas by direct contract with the individual. But I do warn the financial interests of this country and say to them that if they lose sight of the moral obligation resting upon them to do something for somebody else that the government may finally be driven to a most drastic exercise of its police powers, not only for the protection of its citizenship but even for the perpetuation of its own existence.

So, my friends, these are the broad questions that confront the people of this age. I appeal to the capitalist of this country. I must believe in the patriotism and ability of my countrymen to work out these great problems; but I appeal to the capitalists of this country to study these great questions and to become imbued with a noble purpose to do something to return us finally to the good old-fashioned individual and free democracy. I appeal to the capitalists of the nation to do that. We especially invite you to Texas and if you lend money to the homeless and the landless man—you do not have to give it to them, but if you loan to them that hath not, the effect will be that finally you will not only produce a citizenship that will protect and preserve your investment, but you will live with the consolation that your life has not been in vain and that you have done something to benefit mankind.

FINANCING FARM COLONISTS

Mrs. J. Haviland Lund
Secretary, The National Forward to the Land League

I was so glad that so important an authority as Governor Herrick should have mentioned the fact that this false line of demarcation between the country and the city side of this problem must be annihilated, because some time ago, I took up what was called the city end of it, and these men who were so interested in these vital rural problems seemed just a little bit annoyed to think anybody should talk about any man in the city going to the farm. Yet in the same breath these men were saying that there was this heavy and alarming exodus from the country to the city. But they knew, of course, that the majority of immigrants coming here had had agricultural experience, not thinking that the city man, who is likely to want to go to the land is not the unskilled clerk, but the man who knows something about farm life. And this country boy, who has come away from the farm into the city, lured there by the prospects of making a great deal more money than he has on the land, in many instances is disappointed, as you know. But his experience in the city has been a most valuable one. He has learned something about applying business principles to a farm, and the problem of teaching your farmer coöperation in business is a problem that you are all familiar with, and I will not go further into that detail.

City Man Fails as a Real Farmer

No one knows better than the National Forward to the Land League that the man from the city going to the farm is almost sure of failure. We have held back nearly everybody of this type coming to us and asking to go to the land. We have said, "Don't dream of going." The average man cannot possibly go on the farm and make a success, because it is almost impossible to go into a local community where there is coöperation of the farmers. So the question of course occurs as to the best way to start them in. Now, our way of solving the problem of how to stop the exodus from the city to the country under the banner of the land speculator is this.

That as this mass of people are buying land of which they know nothing and of which nobody else knows anything, that the first and most important thing is to have a bureau of information where information about land could be secured. It is evident on the face of it that that bureau could not have anything to sell. So that our bureau was organized as a purely educational and formative body, a nonprofit making institution, under state supervision. You know how difficult it is to conduct anything close to the land, and not have some graft creep in. I knew it, and I have this organization so arranged that it is under state supervision and we can put a stop to anything if it should creep in.

Now, if this bureau of information is to have the ear of the public, it must catch the eye of the public, because the most of the working people don't read much of anything but the newspapers and the magazines. So we must have some way of eternally keeping ourselves in the newspapers. So I put on this board, behind our bureau of information, the representatives of all the church organizations. We have the Catholic Colonization Society, the Jewish Industrial and Agricultural Aid Society, the Salvation Army, the Methodist Church, the Presbyterian Church, and all of the rest of them. And then the different educational bodies. We have Dr. Carver, Dr. Calenstein, and so on and on—important people who have demanded the confidence of the public because they are not commercial; they are known not to be business men.

Now, I know that the business side of this plan has to be conducted by business men, but this bureau must be educational, and they have a local professor with the business organization that is conducted by business men. So, in that way, by having this bureau of information and having the people who want land come and ask us about it, we were able to select those people in the city who did want to go to the land, and to find out whether or not they were qualified for farming. We opened night classes in agriculture in our bureau of information. These classes are conducted by the extension from the state university, men from the federal department of agriculture in Washington and men from the state farm bureaus. Then we took it up with the board of education in New York, and they have agreed to put night classes in agriculture in the public schools, so that we will have these units of organization throughout all the cities with the public school as the answer. They are teaching those people not to buy any land unless it has been inspected by an organization that has no land to sell, then after that there is that inspection, and the United States government men give us our soil service, and our attorney advises us on the titles and contracts and forms of mortgages and notes and that sort of thing.

The next step was this. When the colonists came to us for these classes, we had them register on cards, saying what their qualifications were to go out on the land. The next step was to see where the capital was that would aid them any in the way that we had to have it done. Mr. Newell told you just now how much capital it takes to equip a man in starting on the farm. You know perfectly well that the average working man and woman has not that much money.

Now, the people that have to go and buy their land, that cannot get on government land that costs them nothing—how are they going to go? They have saved, maybe, $400 or $500. It is not sufficient for them to start out and buy a farm. Now, of course, you know that collective security is the best security in the world when there are good honest, industrial men back of that security. I do not need to argue this matter of rural credits to this audience. You know more about it than I do. But, if we can, in the city from our night classes, pick up 50 Armenian farmers, or 50 Russian farmers, or 50 Lithuanian farmers, men who know farming and whose priests say they are good men, then if those men have $300 or $400 apiece, and the state of Alabama or the state of Georgia, or some other state wants the settlers, they say, "Yes, we are willing to give credit to the right kind of men, but we don't know anything about them." There has been no way of finding out until this bureau of information has been able to act as a clearing house for these people.

But, we can say to these states, "Here we have 50 families of such and such nationalities; their priests will go with them, and Dr. Calenstein has said he will go and organize a school down there, and the Y. M. C. A. will send a state secretary. Now these people have got to go on ready-made farms. They have only got a few hundred dollars to pay down. You will have to build their houses and their barns and you must put the school on the place and the implements on the farms and you must give them a long term of years to pay for it. This is a perfectly safe investment. You must stop looking at it from the speculative end of it. You must see that that man has capital with which to operate.

Movement Has Won Response

Now, the response to this has come. Because just the minute that these people that have land to sell, just the minute that the railroads knew the plan on which I was working, just the minute that the banking associations, most thoughtful men, saw the conservative lines along which we were working, they simply said, "Why, of course, we can furnish that credit; that is a safe credit."

We have capital that is willing to equip these lands in model rural villages. Now, what does that mean? We have had general planning. We know the wisdom of general planning. Now, we are going to have rural community planning. And in Florida and Alabama we have the opportunity of setting that right. Now, there has been inspected a tract of land of 5,000 acres in Alabama, and 200,000 in Florida, and plans are now being drawn for these model rural villages. And when these people go out, they go out with the knowledge of their friends, they know each other. They have their own religious leader. In all of the successful colonies we have had a religious element within them. And they have the agricultural instructor. They have this rural school, with its social center equipment. They have all of those things that make for a peaceful successful life, and it only takes a few hundred dollars with which to start.

Now, the Florida group of men have said that they will hold that whole 200,000 acres of land at a flat price. I always make them tell in advance what the price will be and not have them put up the price. But this group of men will hold that at a flat price. So that we are now organizing these colony groups to go down there. Your farm tenant and farm laborer, who has saved a few hundred dollars now has the opportunity of buying in and getting a fully equipped farm. Why? Because it is done on a large enough scale to make it possible. Individually it cannot be done. The coöperation for rural community building must begin in the city, and then when your people in the farming communities see how it works, I think they will follow suit. When your bankers and business men who have not had the confidence in this personal security see how it actually works out in a group, then they will be convinced. I do not think anything is more valuable for the legislation that we need in rural credits, or nothing more favorable to the standardization of farm products and markets than the fact that we can take groups of 50 and 100 families that are congenial and send them into a place where they have this instruction and where they have the opportunity of doing the thing right from the beginning, instead of going into a community, as you have to now, and begin to undo all that they have done for so long a time.

FINANCING FARM BUSINESS

SUGGESTIONS FOR RURAL-CREDITS LEGISLATION

Myron T. Herrick

Former Governor of Ohio; late Ambassador of the United States to France

The farm-credits movement whose simple but grand objects originally were coöperative banking and long-term mortgaging has taken on such paternalistic and socialistic tendencies that it likely will be written in history as the farmers' state-aid craze. Amazing headway has been made in the use of the cash and credit of government and of special privilege for farmers.

Arizona has permitted the proceeds of state lands to be invested in farm mortgages.

California adopted a resolution to amend the constitution so as to permit the state to use public funds and credit for farmers. This was beaten at the polls.

Colorado has permitted funds derived from certain public lands to be invested in farm mortgages.

Florida has exempted all farm and grove products from the license tax when offered for sale by growers.

Georgia adopted a resolution to amend the constitution so as to exempt from taxation all farm products, including baled cotton, in the hands of the producer. This was approved at the polls and a law has been passed accordingly. Georgia also memorialized Congress to pass one of the state aid bills pending for rural credits.

Indiana has given to rural loan-and-savings associations the privilege of requiring the auditor of state to serve as trustee of the farm mortgages securing their bonds.

Kansas now permits the holder of a farm mortgage deposited with the state treasurer to issue bonds certified by that official to the effect that the security is ample and its title perfect.

Louisiana adopted a constitutional amendment authorizing exemption from taxation of lands improved for homesteads by or for immigrants. Louisiana also has enabled the owner of rural real estate to issue bonds up to 60 per cent of the value as appraised by a commission of 3 bank cashiers of the parish, 2 of whom shall be appointed by the district judge. The mortgages must be made in the name of the sheriff as trustee. The bonds may be registered with the county clerk and made payable to bearer, without imposing any personal liability on the maker for their payment.

Minnesota adopted a resolution to amend the constitution so as to permit permanent school and university funds to be invested in farm mortgages.

Mississippi memorialized Congress to pass one of the bills pending for rural credits that provides for the creation of public land-credit banks with power to issue bonds guaranteed by the U. S. government, for raising money for farm mortgaging.

Missouri passed a special act creating a public land credit bank to be managed by the governor and other state officials, with power to issue tax-exempted state-guaranteed bonds for raising money for farm mortgaging.

Montana has created a department of farm loans with the state treasurer as commissioner and the county treasurers as local representatives to issue bonds and make tax-exempted loans on farm lands.

New York has created a highly privileged tax-exempted land-credit bank with power to issue bonds upon the security of farm mortgages trusteed with the state comptroller.

North Dakota adopted a resolution to amend the constitution so as to permit the use of funds and credit of the state in forming agricultural credit associations.

South Dakota adopted a resolution to amend the constitution so as to permit the state or contiguous counties to create and maintain rural credit systems for making farm loans.

Utah passed a law on coöperative land-credit banks with power to issue bonds upon the security of farm mortgages trusteed with the state treasurer.

Wisconsin requires the assessor of incomes to certify the value of farm mortgages taken by land-mortgage associations, and the state treasurer to serve as trustee of the securities for the bonds issued by such associations.

In the Philippine Islands the government "Agricultural Bank" has been created by a special act.

In Porto Rico the semi-public "Insular Bank" has been created by a special act for extending credit on farm land and tc agricultural enterprises.

Many of the laws on coöperative credit associations recently enacted by the states provide for tax exemptions.

At the last session of Congress, the senate passed the McCumber bill providing for the creation in the treasury department of a farm-credit bureau with unlimited power to issue government bonds for farm mortgaging. The house passed the Bulkley bill providing for the issue of bonds by public land-credit banks and for the obligatory purchase by the U. S. Government of an amount of such bonds that might equal $50,000,000 a year.

A new bill on rural credits must be submitted to Congress on or before the first of January by a committee created for that purpose. Bills will also probably be submitted to all the legislatures of the 12 states, which convene within the next 2 months. The rage for state aid and special privilege appears to be as keen as ever, so no forecast can be made as to where it will go before it blows over. Consequently it is high time to consider the purpose and effect of such assistance. In Europe the bureaus, commissions, and institutions that exist for using the cash and credit of government were established either for breaking up the feudal system, or to distribute money obtained or appropriated for ignorant or indigent peasants, or to meet problems arising from absenteeism, city congestion, compulsory military service, land reclamation, or interior colonization. Their size and number will probably be enlarged and added to for relieving distress after the Great War is ended.

The use of state aid in such circumstances is unquestionably proper. In the United States, however, the assistance provided in the legislation enacted and proposed is intended for all classes of farmers. The legislators most active in the cause have assumed that the only relief for the financial troubles that beset agriculture must come through government intervention. They have taken this stand although President Wilson, Secretary Houston, and other eminent authorities declare that there is no emergency calling for special privilege or for the use of the cash or credit of government for farmers. Thus, an unfortunate turn has been given to the movement for rural credits that cannot but be deplored by students of the subject, since it has incited bitter opposition to the movement and otherwise interfered with its progress by confusing the main issue with another issue that has, in fact, no connection whatsoever with the reorganization of land and agricultural credit facilities.

State Aid not Infallible Remedy

State aid is not an infallible remedy for rural credit troubles, Indeed, it has recorded as many failures as successes. One of the dangers lies in its being misapplied or in subjecting government to loss in the event of default by borrowers. Denmark, France, Russia, and some of the Balkan states have had very unenviable experiences—but it is not necessary to seek the proofs in Europe, because they can be found in this country. In 1836 a surplus then in the U. S. Treasury was deposited with 26 states. New York's share was $4,014,520.71. She invested a large part of this sum in loans on farm lands. The loans were extended from time to time; none has been collected. The mortgages in many instances are not worth the debt. The investment, handled by several generations of politicians, is perhaps gone.

In 1902 the United States set aside for irrigation projects all except 5 per cent of the money to come from the sale of public lands in 16 states. This has amounted to $81,813,772.71 so far, and has been used in construction work. The cost, apportioned among the tracts improved, was under the original act to be repaid by the owners in 10 instalments without interest. But defaults were imminent, so last year the period was extended to 20 years. The settlers are asking for still further favors, and the reclamation service has been obliged to borrow $21,000,000 to complete its work. The settlers in these irrigation projects have received more state aid than the farmers in any other country, except Ireland and Russia. In other words, this is the third largest instance in the world of state aid for farmers. The legislators have overlooked this noteworthy fact and the other fact, equally important, that the experiment is not satisfactory from the standpoint of either the settlers or the United States government.

Regrettable as the rage for state aid may be it serves, however, a good purpose in proving conclusively that the rural credit facilities in the United States are bad; it would not have occurred if they were all right. It confirms every thing that I and other men have been saying to the effect that American farm finance is basicly wrong. In North Carolina, according to Mr. John Sprunt Hill, the small cotton growers pay as high as 38 per cent interest a year on short-term loans. If this be so in that state, it is true perhaps in other southern states. A sample list compiled last month by the comptroller of the currency, Mr. John

Skelton Williams, from the books of a national bank in the West shows 174 cases where farmers were charged 10, 10, 600, 800, 1,600, 1,820, and 2,400 per cent interest a year. Regardless of how prevalent these extortionate practices may be, they are sufficiently numerous to prove, when taken in connection with the widespread demands for state aid, that a thorough reformation of farm finance is absolutely necessary in order to place American agriculture on a proper basis.

Two Elements in Farm Finance

Farm finance includes both land and agricultural credit. Land credit rests, of course, upon getting money from the investing public. This money cannot be obtained at a fair rate unless there be sure methods of proving titles and easy procedure for recovering loans. Hence, the first requisite is the enactment of proper real estate laws. The Torrens' system has already been adopted by 12 states. If it were adopted by all the other states, much of the cost and difficulty in proving titles would be eliminated. The commissioners of uniform state laws have published a model for a Torrens' act. The foreclosure laws in many states are faulty. If the redemption period were reduced to a reasonable time and if the procedure were simplified in respect to sale and confirmation after default, the heavy expenses and delays in collecting defaulted loans would of course be removed —and all this would tend to cheapen land credit. Some of the states already have good laws. The laws of all the states should be uniform. This is the main thing, since land credit must be standardized to be marketable.

It is worse than useless to enact laws on land credit institutions before making these necessary revisions of the general real estate laws. To do so, would be like erecting a superstructure upon a defective foundation. Legislation for land credit institutions ought not to be enacted in advance of laying this esential, statutory foundation for them. The land credit institutions that are most needed in the United States are those for issuing bonds or debentures against farm mortgages. Aside from the totally unnecessary public or semi-public land credit banks, this country now has to perfection all other kinds of land credit institutions needed for farmland credit, except bond and mortgage companies and landshafts. It has few of the first and none of the latter, and yet these are the only two concerns that should be allowed to issue bonds or debentures. The bond or debenture is the only means by which long-term lending can be practiced on a large scale, or by which land values can be mobilized. These 2 great services are possible because of the simple fact that the investor may place the bond or debenture on the market and thus recover whenever he wishes the money invested in the mortgages, no matter how long may be the period of the loan. But to be marketable this instrument must of course be made safe and sound by legislation.

The 2 master clauses in a good law for bond-and-mortgage companies are : (1) capital stock and surplus must be maintained at a safe ratio to bonds or debentures; and (2) bonds or debentures in circulation must represent first liens on lands of adequate value and never exceed outstanding loans either in amount or in interest rate. One dollar to $20 is usually deemed a sufficient ratio. The capital stock is always required to be large enough to give the company a strong standing in the financial world. My opinion is that if Congress enacts a law, the minimum for capital stock should be $10,000,000. In none of the states should it be under $500,000. I do not believe that small companies could sell their bonds or debentures outside their own localities. If they could not do so it would be useless to allow them to be chartered, because they would be unable to make many loans. There should be no hesitation in affording agricultural institutions of a size cemmensurate with its needs.

A landschaft is a district created and officered under a special act or general law by the owners of the farms lying in the district. A landschaft has no capital stock. Consequently the limit to the issue of its debentures is determined by the value of these farms, and is usually 60 per cent of that value. A landschaft is very similar to the drainage districts that exists in some of the states. For instance, an Illinois drainage district for agricultural purposes may be created and officered by landowners. These officers may assess benefits proportionately against the separate farms, and these assessments are an indefeasible claim that is collected like taxes under the revenue laws; just so with a landschaft. The drainage district may issue bonds up to near the amount of the assessments; a landschaft issues debenture up to the amount owning by borrowing members. The main difference is that the drainage district negotiates its bonds and uses the proceeds for drainage works, while the landschaft turns its debentures over to the borrowers to be used by them in raising money for individual loans.

What Will Solve Land Credit Problem

In brief, my idea of a solution of the land credit problem is the adoption of the Torrens' system, the revision of the foreclosure laws, wherever necessary, and the enactment of general permissive laws for bond-and-mortgage companies and landschafts. The landschafts are a subject for state legislation only. Both the nation and the states, however, might enact laws for companies. The laws of the states ought to be uniform so as to standardize bonds, debentures, and mortgages. The only kind of inspection or government intervention needed is that which is now provided for banks. The only regulations and restrictions should be those that would safeguard borrowers from oppression and investors from fraud and recklessness. This done, I believe that it would be possible to undertake the great enterprise of converting the $2,000,000,000 of farm mortgages, which now exist, into long-term loans and that a flow of money could be directed to the land in sufficient volume and at fair interest rates to supply the needs of the landowners.

Lack of Organization Danger to Agriculture

The solution of the land credit problem cannot, however, remove all the difficulties that surround agriculture. The chief trouble with American agriculture is lack of organization. Aside from some notable exceptions in fruit and dairy regions, the farmers are not organized either industrially, commercially, or financially. They have no collective purchasing, marketing, or banking systems of their own. Each farmer relies upon himself for what he buys, sells, or borrows. As a consequence there are wastages and losses that seriously affect both producer and consumer, while the individual farmer is left at the mercy of any unconscientious person who wishes to exploit the exigency of his affairs. Particularly is this so wherever he has urgent need of money, as provided by the cases I have mentioned. The American farmers are unexcelled in capacity, intelligence, and education; and they possess in fertile lands, natural resources, personal qualifications, material conditions, and in all other respects everything that makes for agricultural prosperity, except organization. Moreover, they are the richest farmers in the world; their wealth in the aggregate and their combined earning power are almost beyond comparison.

The American farmers perhaps own 45 billion dollars of property and this year raised 12 billion dollars of products. Nevertheless, they remain unorganized and allow this stupendous wealth and income, upon which the very existence of the nation depends, to lie scattered for all who wish to pick a profit from them. Practically no animal or vegetable product reaches the market, without some unnecessary sum abstracted from the producer's or added at the consumers end of the deal, and the proceeds that are finally returned to the farmer are usually placed in some commercial bank to be used in industries other than agriculture. Since organization is the only thing the American farmers lack, it is this shortcoming that may logically be assigned as the cause of their troubles and distresses, their complaints against bankers and merchants, and their demands upon government for state aid. Unorganized farmers always have been and will be victimized and made the prey of their own necessities. But organized farmers are able to take care of themselves; and this would surely be the case with American farmers, because they own and produce more than enough to make them absolutely independent and self-sustaining if they only would utilize it.

Organization a Necessity

The farmers in the United States ought to be organized from the plains to tidewater, but if they should attempt to do so, they would encounter legal obstacles, since the laws have not been framed with a view to agricultural organization. The only ways by which 2 or more persons can unite for an economic object are the partnership, the corporation, and the association. A partnership is not intended for a numerous and fluctuating partnership, and so is of little use for farmers. A corporation is a joint stock company with a capital stock that is fixed by the charter, paid in at the start, and voted by the stockholders according to their shares, but owned by the company itself. As a great jurist once said, a corporation may be formed without a body to be kicked or a soul to be damned. Its prime purpose is the employment of capital and labor for paying dividends to investors. Manifestly it is not intended for use where the capitalists, laborers, and investors are identical persons, as would be the case with organized farmers.

An association is a voluntary union of persons under a plan that preserves the equality and personal responsibility of members. Usually a member has only one vote, and this cannot be cast by proxy. The liability assumed by members may be limited, unlimited, or contributory. Shares may or may not be issued. If issued, they are simply certificates of deposit on which the credits may be withdrawn upon notice by holders. So the fund thus accumulated differs from the capital stock of a corporation in that it is variable and is owned not by the association but by the contributing members. The shares may be paid in installments. Consequently, while a corporation cannot begin without money an association can begin practically without a cent. It is because no money need be put up at the start and because all money in is withdrawable that an association is more attractive than a corporation to small investors. Moreover, the personal responsibility of the members and their direct participation in the management make the association peculiarly adaptable for those mutual relations and practices that constitute what is called coöperation.

Coöperation Is Not Understood

For these reasons the association is the best form of organization for farmers. There is no kind of business or finance that could not be conducted through an association, provided the members reside close enough to its headquarters to take part in its affairs; but legislators have not yet fully realized this fact. The association has been legalized for savings banking, life insurance, the building and loan idea, and for a few other purposes; and in every instance it has proved entirely safe and wonderfully effective. The world would be all the better if the association form and practices were more extensively adopted for economic objects. But generally speaking, the association has been relegated in the United States to social, religious, eleemosynary, educational, thrift, and non-profit uses. Nearly every state (it is true) has a law on coöperative associations or societies, but the majority of these laws was framed on the postulate that the association cannot be used for profit-making, and that coöperation is a benevolent or altruistic means for encouraging brotherly love among poor and individually incompetent persons.

This pitiably wrong idea has been written into the recently enacted laws on the so-called credit unions or coöperative credit associations in Massachusetts, New York, North Carolina, Oregon, the Philippine Islands, Rhode Island, South Carolina, Texas, Utah, and Wisconsin. The error is responsible for the tax exemptions, the limitation of the interest rate on deposits or of dividends, and the various restrictions that have made those concerns worthless for farmers. Owing to these misconceptions about coöperation and to the failure to grasp the fact that coöperation works best through the association, the progress of agricultural organization has been retarded in spite of all the efforts that have been made for it during the past 5 years. A coöperative association may be defined as a voluntary union of persons for utilizing their collective energies or resources, or a part of them, under their own management in some economic enterprise carried on upon their common account with a view to their mutual and individual benefit. A coöperative bank is an association with full banking powers that confines its credit facilities to members.

Americans Cannot Look to Europe for Guidance

It would be well for the states to recast their laws on coöperation and to enact new laws for economic associations and associational banks. Coöperation exists in such great variety that its definition is exceedingly difficult, so the word and its derivatives might be excluded from the statutes, except in the titles. Their absence would occasion no harm, because the practice of coöperation is automatic in a properly formed association. There is no European law that can serve as a model. We shall have to create anew. The American laws should provide for all forms of associations and permit their use for any kind of business or finance, banking included. Moreover, the Sherman act should be amended so as to permit combinations for agriculture, small industries, and the like. This is especially necessary for farmers, because agricultural organization depends upon the formation of systems of interrelated associations. But in all other respects the laws should be free of class legislation, special privilege, and tax exemptions and should also be available for all. The workman, tradesman, and small industrial is as much in need of coöperation as the farmer. I submit the following program:

> An amendment of the national banking act so as to permit a national bank that confines its credit facilities to members to be organized as an association without capital stock.
>
> An amendment of the banking act of each state so as to permit any kind of bank that confines its credit facilities to members to be organized as an association without capital stock.

> An enabling and regulatory law by the nation and by each state, legalizing for economic associations whatever is lawful for corporations.
>
> A clause in such laws to permit combination among farmers' associations and associational banks, among associations organized for selling food and household supplies to members, and among associations organized by artizans for buying on their common account the materials needed in their work or for selling their products.

Legislation along these lines is all that is necessary for coöperation. After it had once been enacted, farmers, tradespeople, small producers, and small consumers would here and there avail themselves of it. Their success would encourage others; and then gradually but with ever increasing speed coöperation would spread in town and country throughout the land, just as was the case in Germany, Italy, France, and elsewhere after the laws on associations were put on the statute books. If societies or boards of earnest propagandists were formed to lend a hand, they could materially help the good work along. But it should always be borne in mind that coöperation rests upon the individual initiative and mutual self-help of the persons to be benefited, and that charity, state aid, or extraneous assistance of any sort would impair its effect. The fact should also be kept in mind that the agricultural associations should combine. Detached and isolated agricultural associations could be only partly successful. The farmers ought to form great decentralized systems of interrelated national, departmental, state, regional, and local associations.

The growth, however, should be not from the top downward, but from the ground laterally and upward. Nothing should be forced or artificially hastened. The development should be natural and orderly, and each system should be based on local rural coöperative banks. The first step toward agricultural organization is the formation of these basic units. We all know what these wonderful little concerns are, so there is no need of discussing details here. They may adopt any of the associational forms. The investigation and study that I have made lead me, however, to favor the Raiffeisen society, as I have described it in my book on "Rural Credits."

A Raiffeisen society localizes its operations to a small area, confines membership to mutual acquaintances, and imposes unlimited liability. It does not issue shares nor distribute dividends.

Its aim is economy rather than gain. It limits profit-taking to its actual necessities and carries net earnings to an indivisible reserve. This reserve thus slowly accumulated takes the place of the capital stock and guaranty fund of a corporation, protects members from liabilities, assures the financial standing of the association, and makes it a permanent institution in the neighborhood. This type of associational bank is the best ever devised for stabilizing the rural population, for vitalizing the spirit of coöperation, and for enabling farmers to utilize their credit and other resources for their agricultural purposes. In my opinion thes closer a rural organization adheres to the principles and practices of Raiffeisen, the more effective and lasting it will be.

THE AMERICAN LAND OWNER AND HIS FINANCIAL NEEDS

David Lubin

Delegate from the United States to the International Institute of Agriculture at Rome

German farmers, originally, were not brighter than the American farmers; in fact, they were not nearly as bright. It is only now when they are operating under their effective economic systems that the German farmers have become bright, as bright as the American farmers, and very much brighter. In fact, they have become the brightest farmers in all the world.

But we have not yet been told how the potential brightness of the German farmers became materialized into actual brightness. Was it then the German farmers who invented and devised these effective economic systems and obtained their legislative enactment?

No, it was not. They were devised and given legislative enactment by the government. Why by the government? Because it is a well known fact that farmers, as a result of their environment, are too conservative to devise systems or to pioneer the way for teh adoption of changes in mode or method. The farmers the wrld over are the last to make changes in their style of garments, their mode of speech, or their opinions. No, the German farmers devised no such systems, nor did they pioneer the way for their adoption.

They were devised and adopted for them by the power and far-seeing wisdom of their autocratic government. The rulers of Germany foresaw the tendency which the rising tide of socialism promised to lead up to; the socialism which was confined mainly to the urban population—to its cities; the socialism that threatened the destruction of their political status quo. The government, therefore, sought a method for the control or eradication of this socialism, and it is believed that that method could be found in the strengthening of its conservative elements—its farming population.

Under the belief that with the reinforcement of sufficient strength the conservative farmers would prove more than a match for the control of the socialist radical of the cities, the ruling power of Germany devised and enacted into law the economic systems of rural credits and marketing now operating there. Experience has since proven that the rulers of Germany were in the right; for not alone does the present advantageous economic status of the German farmer, under these systems, hold in check the socialism and radicalism of the German cities, but it has also so strengthened Germany as to render her almost invulnerable and invincible.

The economic and political advantages of the German systems of rural credits and marketings are so evident as to justify the prompt and well-directed efforts of the American farmers for their realization.

But is there not a break in the logic of these statements? We are told that these systems were devised and put into operation by governments; that farmers are too conservative to devise effective economic systems or pioneer them in these stages for their enactment. But we have also been told that the farmers rather than the legislators will have to devise them and pioneer the way, "get busy" for their adoption. So, then, we seem to travel in a vicious circle of contraries. The government can act but should not or will not; the farmers cannot but should.

It is high time for such farmers to look about them and see what changes in economic methods have taken place since the last half of the nineteenth century. There is the telephone and the telegraph. In the sale of his annual 10-billion dollar production how much use does the farmer make of them in comparison with other merchants who sell an equal amount of goods?

"What are you talking about!" exclaims the farmer. "Do you take me for a merchant?"

Well, if you are not sufficient of a merchant to sell your production, then you must rest satisfied if others do the selling for you, and, of course, in their own way.

But to return for a moment to the telephone and telegraph, to the modern inventions for the transaction of business. There are the stenographer, the typewriter, the card index, the board of trade, the chamber of commerce, the clearing house, the mercantile agency, and the thousand and one other devices and methods for the economic transaction of modern business. Do the farmers use these to the extent that other business men do? But above all, does the farmer realize that since these inventions came along there has been a complete change in the method of employing capital and in the method of employing mental energy? Beforetime business was transacted by individuals or firms, but in our day business is transacted through corporations, many of them with business ramifications as wide as this country and some of them to a wider extent—some world-wide.

With what mechanism does the farmer commercially speak, commercially hear, commercially go, and commercially see? Only with the organs of his own body, consequently the farmer is, as it were, a commercial cul-de-sac. He is commercially lame, commercially dumb, commercially deaf, and commercially blind.

Is Coöperation Socialistic?

"Well," says the farmer, "I will prefer all this to blindly rushing into some wild socialistic scheme. I do not wish to give up my independence by lumping my property into some rattletrap coöperation or corporation."

The farmer that would make such a statement would clearly be uninformed, for neither under the Landschaft method of rural credits or under the Landwirtschaftsrat system of marketing would it be necessary for him to give up 1 iota of his independence or to "lump his property into some rattletrap coöperation or corpoartion," nor can either of the 2 proposals be classed as "wild socialistic schemes." Under the Landschaft rural credit systems he gives, say, $20,000 worth of property, properly appraised, for a $10,000 bond, and so do all his neighbors. While the bond of a Landschaft is not given on any special piece of property of that Landschaft, each bond issued may only be upon the limit of the mortgage as permitted by the Landschaft. It therefore follows that each farmer under the

Landschaft law is in reality only responsible for his own indebtedness. This has proven to be the case in Germany, where the Landscraft has been in operation during the past 152 years. As for the marketing or distributing system, that is in nowise a corporation. It is simply an organized semi-official nation-wide bureau, which embraces the services of agriculture that commerce receives through its boards of trades, chambers of commerce, clearing houses, etc.

In other words, where the farmer now sees with his own 2 eyes, he will have added to his commercial vision the commercial sight of millions of his co-workers. If we were to strip merchants and financial men of this kind of knowledge, we would make commerce and finance as incoherent, as disjointed, as illogical, and as uncertain as is the commerce of agriculture today in the hands of the American farmers. The business and commercial world would not tolerate for a moment the abrogation of their sources of wide range, commercial knowledge and its resultant activities, and it can be safely said that once adopted neither would the American farmer abrogate it. And the first step toward the materialization of the proposals before us is the awakening of the American farmers from their dormancy. They must rise, gather themselves together, put on the harness, and exert their power by pulling the car of progress forward—whether uphill or downhill—ever forward. If they pull hard enough, and each one does his share, they are sure to reach the goal.

Farmers Must Change Their Ways

Unless the farmers change their economic conditions by means of sound and sensible methods they must expect others to step in and manage their affairs for them. This after a fashion is being done now and has been done right along. And as it continues it is quite likely to develop and accentuate present grievances. But in what must it all end? It must end in converting this American democracy into a full-fledged autocracy as surely as the present democratized power of Germany's farmers must in the end convert the German autocracy into a full-fledged democracy.

"Eternal vigilance is the price of liberty." And, pray, what does that mean? Does "vigilance" mean that the citizen is to be on the constant lookout for foreign dreadnoughts and submarines? No; that is the function of the secretary of the navy. Does liberty mean the right to shout "Scoundrel" or

"Villain" at any and all in public life? No; that is license. Liberty means freedom—free, equitable action and free, equitable reaction within the body politic, especially so in the economic life of the people.

What now may be said of the "vigilance" of the farmers? How is it made manifest in the field of economics? Shall it merely be limited to shouting "Wall street?" Shall it not rather be in effective economic work?

Each farmer should make it his business to start the ball rolling by sending on petitions and letters to members of both houses of Congress, and there should be thousands upon thousands of such petitions and letters from every section of the United States demanding, first, legislation for the national marketing organization, and, second, the adoption of the Landschaft system of rural credits.

Sending on petitions and letters to Congress, however, is only a beginning. The farmers, though, of course, perennially busy, need not expect "Wall street" to do this work for them. They must do it themselves. It is true that in Germany this work was done for the farmer by his autocratic government. But in this country, in this democracy, the American farmers will have to take the leading stand themselves if this work is to be done at all. And, be it understood, the duty to proceed should not merely be prompted by the desire for economic betterment, but also by the higher one of political betterment.

PROVIDING CREDIT DURING PRODUCTION

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The question of "Providing Credit during Production" is for the most part a question of farm loans based on personal or collateral security rather than of loans based on farm mortgage security; and likewise it is ordinarily a question of loans for relatively short periods of time—i. e., for periods of less than one year.

The aim of this paper will be, therefore, to indicate the charges paid by farmers for loans on personal or collateral security in various parts of the country, to point out the factors that cause variations in these charges, to show the relations of existing banks to this class of farm loans, and to consider certain improvements that may be suggested in connection with this phase of rural credits.

From figures obtained by the office of markets and rural organization of the United States Department of Agriculture bearing on charges for farm loans based on personal security, averages by states have been computed as shown in exhibit No. 1. It appears that the average total cost on such loans—including interest and all extra charges—ranges from less than 6½ per cent in the New England States to figures between 10 and 15 per cent or even higher in the Southern and Rocky Mountain States; that in those states of New England where the total cost is lowest—below 6½ per cent—the average extra charge above the nominal rate is only about ½ of 1 per cent, and in the more highly developed farming regions of the corn belt, where the total cost ranges between 7 and 8 per cent, the average extra charge is less than 1 per cent. On the other hand, in those states of the South and West that have the highest averages for total cost, the average extra charge often runs as high as 2½ and 3½ per cent.

Middle West Interest Rates

In New York and Pennsylvania the average nominal interest rate is less than 6 per cent and the average total cost is 7 per cent. In Illinois the average nominal rate is 6.6 per cent and the average total cost 7.4 per cent. In these states, therefore, the average extra charge on personal loans is about 1 per cent. In Iowa and Wisconsin the averages for the extra charge are only four-tenths and five-tenths of 1 per cent, respectively, the nominal rate in Iowa being 7.5 per cent, with an average total cost of 7.9 per cent, and the nominal rate in Wisconsin being 6.5, with an average total cost of 7 per cent. One important factor which undoubtedly should be considered in looking for an explanation of the lower extra charges in Wisconsin and Iowa is the large percentage of loans in these states that is furnished the farmer by small local banks, as will be noted later.

In North Carolina the average nominal rate is 6.6 per cent and in South Carolina, 8.3 per cent, showing a difference of 1.7 per cent. The average total cost, however, is nearly the same in these 2 states, being 10.2 per cent in North Carolina and

10.5 in South Carolina. The 6 per cent legal rate in North Carolina undoubtedly accounts for the low nominal figure reported for that state. Apparently the loan agencies of North Carolina make up in extra charges what they are not permitted to collect as interest.

In Alabama the average nominal rate is 10 per cent and the average total cost 12.4 per cent. Alabama illustrates a section of the country where credit conditions are partly to be explained by the prevalence of the system of advances to farmers by merchants, under which advancing system perhaps three-fourths of the farmers of that state still operate.

Oklahoma appears to have the highest interest charge of any state, the average nominal rate being 12.5 per cent and the average total cost 15.1 per cent.

LOANS TO FARMERS ON PERSONAL SECURITY—AVERAGE RATES FOR INTEREST AND FOR TOTAL COST

Geographic division and state	Average interest rate	Average total cost[1]
New England:		
Maine	6.5	7.7
New Hampshire	6.0	6.4
Vermont	5.9	6.4
Massachusetts	6.0	6.5
Rhode Island	6.1	7.1
Connecticut	5.9	6.2
Middle Atlantic:		
New York	5.9	7.0
New Jersey	5.8	6.6
Pennsylvania	5.9	6.9
East North Central:		
Ohio	6.4	7.2
Indiana	6.9	7.6
Illinois	6.6	7.4
Michigan	7.1	9.2
Wisconsin	6.5	7.0
West North Central:		
Minnesota	8.3	9.2
Iowa	7.5	7.9
Missouri	7.7	8.8
North Dakota	11.0	11.8
South Dakota	9.8	10.6
Nebraska	8.8	9.3
Kansas	7.5	8.8
South Atlantic:		
Delaware	6.0	6.2
Maryland	6.0	7.0
Virginia	6.3	8.2
West Virginia	6.2	6.9
North Carolina	6.6	10.2
South Carolina	8.3	10.5
Georgia	9.6	11.8
Florida	9.2	11.4

LOANS TO FARMERS ON PERSONAL SECURITY—AVERAGE RATES FOR INTEREST AND FOR TOTAL COST—Continued

Geographic division and state	Average interest rate	Average total cost [1]
East South Central:		
Kentucky	7.3	8.8
Tennessee	8.1	9.9
Alabama	10.0	12.4
Mississippi	8.7	10.8
West South Central:		
Arkansas	9.9	12.4
Louisiana	9.0	11.1
Oklahoma	12.5	15.6
Texas	10.2	12.2
Mountain:		
Montana	11.1	12.1
Idaho	10.4	11.5
Wyoming	10.2	11.0
Colorado	10.6	11.5
New Mexico	11.4	13.8
Arizona	10.0	11.1
Utah	8.8	10.4
Pacific:		
Washington	9.8	11.4
Oregon	8.4	9.6
California	8.4	9.4

[1] Average of estimated total cost, including "discounts, bonuses, commissions, and any other extra charges," as reported by correspondents.

Averages for interest charges and total cost have also been computed for subdivisions within states, following the plan of the bureau of crop estimates of dividing each state into 9 districts. This makes possible a comparison of loan conditions in the different parts of a given state. In Iowa the district averages for total cost for the 3 northern districts, reading from west to east are 7.9, 8.2, and 7.8; for the 3 central districts, 8.2, 7.4, and 7.4; and for the southern districts 8.7, 8.2 and 7.2. It will be seen that in general the lowest averages are found in the eastern districts, and the highest averages in those farthest west. The widest variation is from 7.2 to 8.7 or 1.5 per cent, as between the southeastern and southwestern districts. The higher rates of western Iowa conform to the general upward movement in interest charges as one goes from east to west across the country. The apparent exception noted in the northwestern part of the state, which is tributary to Sioux City, illustrates the tendency toward lower rates in the proximity of financial centers.

In Nebraska, the district averages are as follows: In the North (reading from west to east), 10.2, 10.4, and 8.8; in the central districts, 10.6, 8.9, and 8.3; and in the South, 10.4, 9.9, and 8.3. Reading the eastern districts together we have (from north to south) 8.8, 8.3 and 8.3, while the western districts show 10.2, 10.6, and 10.4, the widest variation being from 8.3 to 10.6 or 2.3 per cent. Nebraska illustrates forcibly the effect of climatic conditions, especially rainfall, in relation to farming and to credit conditions. In Minnesota there is a variation in the district averages for total cost from 6.9 per cent in the southeastern district to 11.4 per cent in the north central part of the state. Such a comparison indicates clearly the effect of temperature and soil conditions on farming and credit conditions.

SHORT TIME LOANS TO FARMERS ON PERSONAL SECURITY—PER CENT DISTRIBUTION OF REPLIES RECEIVED ACCORDING TO INTEREST RATE REPORTED

Geographic Division and State	Per cent of total number of replies showing an interest rate of—								
	5%	6%	7%	8%	9%	10%	11%	12%	13% or over
New England:									
Maine	....	78.3	8.7	8.7	....	2.2	....	2.2	....
New Hampshire	7.1	85.7	7.1	....	....	....	....	....	....
Vermont	10.5	89.5	....	....	....	....	....	....	....
Massachusetts	4.8	90.4	4.8	....	....	....	....	....	....
Rhode Island	....	83.3	16.7	....	....	....	....	....	....
Connecticut	11.8	88.2	....	....	....	....	....	....	....
Middle Atlantic:									
New York	5.1	93.8	1.0	....	....	....	....	....	....
New Jersey	16.7	83.3	....	....	....	....	....	....	....
Pennsylvania	12.8	84.6	1.9	0.6	....	....	....	....	....
East North Central:									
Ohio	3.3	61.5	20.3	14.8	....	....	....	....	....
Indiana	4.6	37.6	31.2	26.1	....	0.5	....	....	....
Illinois	0.6	39.0	57.1	1.6	0.3	1.3	....	....	....
Michigan	0.5	24.1	64.5	3.2	....	2.3	0.5	4.1	0.9
Wisconsin	9.2	44.9	28.1	15.7	0.5	1.6	....	....	....
West North Central:									
Minnesota	0.5	8.7	13.5	41.8	6.2	28.4	....	1.0	....
Iowa	0.4	8.8	28.0	63.4	....	....	....	....	....
Missouri	0.3	11.0	20.8	63.4	0.3	2.7	....	1.5	....
North Dakota	....	....	1.2	5.7	1.7	29.5	4.0	57.3	....
South Dakota	....	....	1.6	29.6	3.2	43.6	2.7	18.3	1.0
Nebraska	0.4	1.8	8.2	40.7	5.0	42.9	0.4	0.4	0.4
Kansas	0.4	1.4	6.0	66.5	4.9	19.7	0.4	0.7	....
South Atlantic:									
Delaware	....	100.0	....	....	....	....	....	....	....
Maryland	2.9	94.3	....	2.9	....	....	....	....	....
Virginia	0.8	82.6	4.1	9.9	0.8	1.7	....	....	....
West Virginia	....	90.2	2.0	5.9	....	....	....	2.0	....
North Carolina	....	75.7	4.7	14.8	0.7	2.0	1.4	....	0.7
South Carolina	....	....	3.0	82.8	4.0	7.1	....	3.0	....
Georgia	....	0.7	5.1	51.1	2.9	18.2	1.5	11.7	8.8
Florida	....	....	....	38.6	9.1	47.7	2.3	2.3	....

SHORT TIME LOANS TO FARMERS ON PERSONAL SECURITY—PER CENT DISTRIBUTION OF REPLIES RECEIVED ACCORDING TO INTEREST RATE REPORTED—Continued

Geographic Division and State	Per cent of total number of replies showing an interest rate of—								
	5%	6%	7%	8%	9%	10%	11%	12%	13% or over
East South Central:									
Kentucky	....	45.0	7.1	34.3	1.2	11.8	....	0.6	....
Tennessee	....	27.9	4.1	36.0	2.3	26.7	0.6	....	2.3
Alabama	....	2.1	1.4	36.5	....	33.8	0.7	17.2	8.3
Mississippi	....	4.0	4.0	61.1	2.0	26.2	....	....	2.7
West South Central:									
Arkansas	....	....	....	7.2	0.5	90.2	1.0	....	1.0
Louisiana	....	1.3	1.3	56.0	4.0	29.4	....	5.4	2.7
Oklahoma	....	0.4	....	4.4	0.4	44.9	2.2	19.4	28.2
Texas	....	....	2.3	12.1	2.0	69.9	0.8	6.6	6.3
Mountain:									
Montana	....	....	....	2.7	....	37.3	1.3	58.7	....
Idaho	....	....	1.3	3.8	1.3	64.6	8.9	20.3	....
Wyoming	....	....	2.1	12.8	2.1	55.3	10.6	12.8	4.2
Colorado	....	....	1.9	12.3	2.8	42.4	5.7	29.2	5.5
New Mexico	....	....	....	4.3	....	31.9	8.5	48.9	6.4
Arizona	....	....	....	30.8	....	30.8	15.4	23.1	....
Utah	....	....	6.3	50.0	12.5	25.0	....	6.3	....
Pacific:									
Washington	....	....	2.5	29.6	....	42.0	3.7	21.0	1.2
Oregon	....	4.0	8.0	57.3	1.3	29.3	....	....	....
California	....	5.0	17.7	42.6	9.9	17.7	....	7.1	....

The reports on interest rates for each state have also been distributed so as to show the relative number of reports for each rate as indicated in exhibit 2. This illustrates in another way the degree of variation in interest charges within different states, also showing in each case the prevailing rate.

What Causes Variation in Interest Charges?

Let us now consider the more important factors which cause variations in interest charges, especially as between different localities or regions of the country.

These may be summarized as follows:

1. Climatic and soil conditions.
2. Character of farming and farm population.
3. Distance from financial centers.
4. Character of accessible financial agencies.

The effect of climatic conditions on interest rates is illustrated by the figures already shown for Eastern and Western Nebraska. The contrasts noted within that state apply generally as between the sections of the corn belt having relatively adequate rainfall, and the semi-arid country farther west. The effect of differences in temperature and soil conditions on interest rates is shown in the comparison made between Southeastern and North Central Minnesota.

There is no factor affecting interest charges on farm loans which is of greater importance than the character of farming and farm population. The best credit will always be extended to those farming regions where the farmers are known to meet their obligations regularly and promptly. This means that the advantages will rest with agricultural areas where the character of the population is well established and where a regular farm income is assured from year to year. Preference will therefore be given to areas of a fairly stable as against a shifting or migratory population, since the dependability of borrowers can be most satisfactorily determined through experience and personal connections of long standing. Preference will also be given to areas of diversified agriculture as against one-crop territory, giving the ''feed-food-and-cotton farmer'' an advantage over the one-crop cotton farmer, and favoring the mixed grain and livestock farmer generally as against the wheat or other single grain crop farmer. Too much emphasis cannot be laid on the character of the farming population and on the importance of approved systems and methods of farming, yielding dependable incomes, as a necessary basis for favorable credit conditions, whether for personal or mortgage credit.

Distance from financial centers clearly affects charges on farm loans. The figures for interest rates show a definite upward tendency as one proceeds outward from any of the important financial centers. How to overcome in some measure the handicap that mere geographical distance thus imposes upon the more remote farming areas of our country is one of the most difficult problems in rural credits.

Another factor of far-reaching importance in its relation to the charges made on farm loans is the character of financial agencies supplying such loans. Let us note especially the part played by existing banks in this connection. Exhibit No. 3 shows the estimated total short time loans supplied to farmers in each state by existing banks; and also the amounts furnished by national banks and by banks other than national.

SHORT TIME LOANS TO FARMERS MADE BY BANKS

Geographic Division and State	Estimated total amount (Thousands of dollars)			Per cent of loans made by—	
	All banks	National banks	Other banks	National banks	Other banks
United States	1,609,970	765,290	844,680	47.5	52.5
Geographic divisions:					
New England	16,890	8,500	8,390	50.3	49.7
Middle Atlantic	67,400	47,770	19,630	70.9	29.1
East North eCntral	325,030	141,210	183,820	43.4	56.6
West North Central	588,120	246,690	341,430	41.9	58.1
South Atlantic	151,220	47,150	104,070	31.2	68.8
East South Central	76,530	30,080	46,460	39.3	60.7
West South Central	204,310	137,700	66,610	67.4	32.6
Mountain	86,650	52,270	34,380	60.3	39.7
Pacific	93,820	53,920	39,900	57.5	42.5
New England:					
Maine	5,000	860	4,140	17.2	82.8
New Hampshire	1,050	690	360	65.7	34.3
Vermont	7,010	3,360	3,650	47.9	52.1
Massachusetts	2,370	2,280	90	96.2	3.8
Rhode Island	80	10	70	12.5	87.5
Connecticut	1,380	1,300	80	94.2	5.8
Middle Atlantic:					
New York	23,990	17,750	6,240	74.0	26.0
New Jersey	7,480	6,240	1,240	83.4	16.6
Pennsylvania	35,930	23,780	12,150	66.2	33.8
East North Central:					
Ohio	43,600	22,130	21,470	50.8	49.2
Indiana	64,930	29,050	35,880	44.7	55.3
Illinois	138,140	72,560	65,580	52.5	47.5
Michigan	33,580	7,590	25,990	22.6	77.4
Wisconsin	44,780	9,880	34,900	22.1	77.9
West North Central:					
Minnesota	79,120	32,480	46,640	41.1	58.9
Iowa	187,070	72,230	114,840	38.6	61.4
Missouri	67,040	18,610	48,430	27.8	72.2
North Dakota	46,070	23,340	22,730	50.7	49.3
South Dakota	40,480	14,260	26,220	35.2	64.8
Nebraska	85,600	47,990	37,610	56.1	43.9
Kansas	82,740	37,780	44,960	45.7	54.3
South Atlantic:					
Delaware	6,260	1,450	4,810	23.2	76.8
Maryland	18,470	6,440	12,030	34.9	65.1
Virginia	29,770	14,220	15,550	47.8	52.2
West Virginia	8,310	1,990	6,320	23.9	76.1
North Carolina	21,280	8,900	12,380	41.8	58.2
South Carolina	19,820	5,500	14,390	27.7	72.3
Georgia	41,430	7,080	34,350	17.1	82.9
Florida	5,810	1,570	4,240	27.0	73.0
East South Central:					
Kentucky	29,200	16,940	12,260	58.0	42.0
Tennessee	23,560	5,710	17,850	24.2	75.8
Alabama	15,250	5,240	10,010	34.4	65.6
Mississippi	8,520	2,190	6,330	25.7	74.3
West South Central:					
Arkansas	10,960	3,890	7,070	35.5	64.5
Louisiana	12,360	4,010	8,350	32.4	67.6
Oklahoma	51,260	33,250	18,010	64.0	35.1
Texas	129,730	96,550	33,180	74.4	25.6

SHORT TIME LOANS TO FARMERS MADE BY BANKS—Continued.

Geographic Division and State	Estimated total amount (Thousands of dollars)			Per cent of loans made by—	
	All banks	National banks	Other banks	National banks	Other banks
Mountain:					
Montana	20,300	8,640	11,660	42.6	57.4
Idaho	13,290	7,090	6,200	53.3	46.7
Wyoming	10,010	8,400	1,610	83.9	16.1
Colorado	19,910	13,880	6,030	69.7	30.3
New Mexico	4,500	3,820	680	84.9	15.1
Arizona	6,350	2,400	3,950	37.8	62.2
Utah	7,010	5,090	1,920	72.6	27.4
Nevada	5,280	2,950	2,330	55.9	44.1
Pacific:					
Washington	24,510	7,800	16,710	31.8	68.2
Oregon	17,020	8,370	8,650	49.2	50.8
California	52,290	37,750	14,540	72.2	27.8

It appears that the banks of the United States furnish approximately $1,610,000,000 in short time loans to farmers, of which national banks supply $765,000,000 and banks other than national (state, private, and savings banks, and trust companies), about $845,000,000. This means that our 7,420 national banks furnish 47½ per cent and our 18,456 other banks supply 52½ per cent of the total short time bank loans to farmers.

The relative importance of national banks as compared with others in relation to short time farm loans varies considerably in different parts of the country. In New York national banks furnish almost three-fourths of the total short time farm loans from the banks in the state, while other banks supply a trifle more than one-fourth. Similarly, in Pennsylvania two-thirds of the farm loans on personal or collateral security are made by national banks and one-third by other banks.

Where National Banks Do Not Dominate Farm Loans

On the other hand, in Wisconsin only 22 per cent of the farm loans from banks are supplied by national banks and 78 per cent by other banks. In Michigan, less than 23 per cent is loaned by national banks and more than 77 per cent by other banks. In Missouri less than 28 per cent of these farm loans are furnished by national banks and more than 72 per cent by other banks. In Minnesota, national banks supply 41 per cent, while other banks furnish 59 per cent of these loans to farmers. In Iowa less than 30 per cent of the bank loans to farmers on personal or collateral security are made by national banks, more than 61 per cent being supplied by banks other than national.

The Iowa banks supply farmers with short time loans amounting to more than $187,000,000, this amount exceeding by a considerable sum that supplied by the banks of any other state.

Iowa is fairly honeycombed with relatively small stock savings banks, the state law authorizing such banks to be incorporated with a capital of $10,000. These stock savings banks furnish fully one-third of the total short time bank loans of the state made to farmers.

In typical states of the old cotton belt we find that by far the largest portion of short time farm loans is made by banks other than national. Thus in South Carolina over 72 per cent of such loans are made by banks other than national and less tha 28 per cent by national banks. In Georgia almost 83 per cent of the loans are made by banks other than national and about 17 per cent by national banks. In the states of Tennessee and Mississippi, national banks supply only about one-fourth, while other banks furnish three-fourths, of such loans. In Alabama and Louisiana national banks furnish less than one-third and other banks fully two-thirds of such loans. On the other hand, in Oklahoma the national banks furnish almost two-thirds, and other banks one-third, of such loans, while in Texas national banks supply three-fourths of these short time farm loans and other banks about one-fourth. In nearly all the Rocky Mountain States the relative importance of national banks is considerably greater than that of other banks. In Utah, 73 per cent of the loans are from national banks and 27 per cent from other banks. In Colorado 70 per cent are from national banks and 30 per cent from other banks. In Wyoming 84 per cent are from national banks and 16 per cent are from other banks.

In general, our data point to the conclusion that in the older cotton growing states, as well as in the grain growing sections of the country, a considerably larger portion of the loans furnished to farmers during the period of production are supplied by state, private and savings banks and trust companies, than by national banks, while on the other hand, in the cattle territory, including Oklahoma, Texas and the Rocky Mountain states, by far the larger portion of the bank loans are furnished by national banks. They also show that for the country as a whole a larger portion of the loans on personal or collateral security are furnished by state, private, and savings banks, and trust companies than by national banks.

Keen Need for Improvement in South and West

The charges on short time loans to farmers, as cited in the earlier part of this paper, clearly indicate the need for improvement, especially in the South and West. There are the sections where local capital is relatively scarce and where there is the greatest need of connecting the farmer with outside or distant sources of capital. Improvement in loan facilities, therefore, should include proper encouragement for the creation of institutions for the accumulation of local savings. And it should also include a better means of contact between the farmer and outside or distant sources of capital.

Our federal reserve system will undoubtedly serve as an important step in connecting farmers with outside capital, especially because of the opportunity afforded for the discounting of agricultural paper. At the same time, it is clear from the study of present sources of short time loans to farmers that there is a large portion of our farming population that is not in a position at present to take advantage of the federal reserve system. It seems especially important that the benefits of the discount feature of the federal reserve banks should be so extended as to be within reach of farmers near towns and villages where no national banks can now be profitably organized. Unless other smaller banks can be induced to come into the federal reserve system, it may be found advisable to permit national banks to create branches, without capital stock, in the smaller towns and villages.

The encouragement of suitable savings institutions for the better accumulation of local capital might well be left to the several states. Aside from a proper adaptation of such local savings banks as are now found in large numbers in certain regions, especially in Iowa and New England, it would seem that each state should provide a law permitting the organization of coöperative credit associations.

Thus far credit union laws have been enacted in 7 states, as follows: Massachusetts (1909), Texas (1913), Wisconsin (1913), New York (amended 1914), North Carolina (1915, South Carolina (1915), and Oregon (1915). These associations are designated "Coöperative Credit Associations" in Wisconsin, and "Credit Unions" in the other 6 states.

Twenty-six credit unions have been organized under the statute of Massachusetts. These, however, are nearly all found among the working classes in towns or cities. Only one credit union has been organized among farmers in Massachusetts. The Jewish Agricultural and Industrial Aid Society has organized 18 credit unions in this country, including 8 in New York, 5 in New Jersey, 4 in Connecticut, and 1 in Massachusetts. This society is attempting to have its associations in New York reorganize under the amended law of that state. I have no knowledge of any credit associations organized in Texas, Wisconsin, Oregon, North Carolina or South Carolina.

In formulating a state law with reference to coöperative credit associations, it appears that existing statutes for such states as Massachusetts, New York, Texas, Wisconsin, Oregon, North and South Carolina could all be modified to advantage in order to meet the needs of rural conditions. While most of these statutes have been framed with the apparent intention of serving the needs of rural personal credit, they have all been patterned in the main on the Massachusetts law, and are better suited to the needs of the working classes in towns or cities than they are to the needs of farmers.

Improvements of Existing Laws Needed.

In the existing statutes there are 3 requirements, especially, which could be modified to advantage:

1. All of these laws make it necessary to organize the local associations with capital stock.
2. The placing of deposits with associations is limited to members.
3. The funds of the associations are restricted to individual loans.

It would seem that the 3 provisions above mentioned should be modified as follows:

1. Coöperative credit associations should be allowed to organize either with or without capital stock.
2. Such associations should be permitted to receive deposits from anybody, whether a member or not.
3. The associations should be allowed to employ their funds collectively for common agricultural needs such as collective purchasing.

It is believed that farmers in certain localities could be induced to organize coöperative credit associations on the strength of such liability as they would be willing to assume, without contributing anything for capital stock. Among workers in cities who receive wages periodically, the plan of having shares of stock presents no hardship or handicap. Among farmers whose income is seasonal and whose interest in organizing is mainly as borrowers, associations without capital stock might serve the purpose better.

There appears to be no reason why the deposits with such an association should be restricted to members. There might be in a given neighborhood a number of people who would be willing to deposit funds with such an association, but who have no special reason to become members of the association. If coöperative credit associations are to succeed they should have the advantage of all the deposits which they can obtain.

The importance of allowing a coöperative credit association to use its funds for common agricultural needs as well as for loans to individual members cannot be over-emphasized. There are many ways in which an association as such might use its funds collectively for common agricultural purposes, as illustrated in the case of collective purchasing. The statute should therefore be so drawn as to permit an association to use its funds in this way if it desires to do so, as well as to make loans to individual members.

Whenever borrowers desire to form guarantee associations to endorse the loans of members, proper encouragement should be given for this purpose. Such associations might prefer to omit the deposit feature noted above, but be similar in other respects to coöperative credit associations.

There is other desirable legislation of great importance to the farmer and which directly affects his means of obtaining credit. Examples of this are found in such laws as would have a bearing on the standardization of grain and cotton, the warehousing of these products and the encouragement of uniformity in warehouse receipts. All such matters are important in determining how far the farmer can utilize his products to advantage as a collateral for loans.

Safe Farming Essential to Credit

Aside from improvement in financial agencies, whether under state or federal law, and aside from other legislation affecting opportunities for farm credit, it should be remembered that anything tending to improve the status of the farmer and his farming is of vital importance in its relation to rural credits. We need to keep clearly in mind in all rural credit discussion that a stable system and method of farming is a necessary basis for favorable credit conditions; and that the personal character and business ability of the farmer himself, as well as his method and system of farming must necessarily be considered. In fact, everything that leads to better farming will also be helpful in improving farm credit. This means that all the work of the various experiment stations, state departments of agriculture, agricultural schools and colleges, and of the United States Department of Agriculture, should contribute, at least indirectly, toward the betterment of rural credits.

In closing permit me to repeat certain conclusions set forth in this paper:

1. It is clear that unreasonable charges prevail in many localities, especially in the South and West, in connection with farm loans on personal or collateral security, and that there is therefore need for improvement in the present facilities for providing the farmer with credit during production.

2. The opportunity for farmers to obtain connections with outside or distant capital should be improved through an extension of the rediscount service of the federal reserve system to smaller towns and villages—possibly by permitting national banks to establish branches.

3. Financial legislation is needed in the several states to provide for suitable local savings institutions and for coöperative credit associations among rural borrowers. These coöperative credit associations should be permitted to organize either with or without capital stock; they should be allowed to receive deposits from anyone whether a member or not; and they should be allowed to devote their funds to common agricultural purposes, such as collective purchasing, as well as to make loans to individual members. Proper encouragement should also be given borrowers desiring to organize guarantee associations to endorse the loans of members.

4. While certain forms of specific financial legislation, both by federal and by state governments, appear desirable in the interests of improved rural credits, it should be remembered that the problem also involves the question of the character of the farming population and its system and method of farming, and that all improvements along such lines contribute to the solution of the problem of rural credits.

THE LANDLORD AND TENANT IN PRODUCTION IN THE NORTH

CHARLES S. ADKINS

President, Illinois Livestock Breeders' Association

I am a tenant farmer myself and I have been occupying a farm of 560 acres in Illinois for a good many years and have lived on the same farm for 23 years, making my bread and butter there.

The man with whom I am in partnership in the stock business and the production of hay, grain, etc., has been in business with me for 23 years, and we have never had a scratch of a pen in any way in the way of a contract between us. We have talked over things for 23 years, and have put into effect a system and plan that is mutually fair to both of us, and then we proceeded upon that basis and system of coöperation for the mutual advantage of us both, and with the end in view of maintaining the farm so that our posterity might reap the benefit of it and go on living and prospering after we have retired to some other country.

And in addition to that, I have participated in the affairs of my community the same as has any other citizen and I believe that I enjoy the distinction of being the only farmer that was ever speaker of the house in the Illinois legislature.

So you will pardon me in referring to myself in informing you in what capacity I daily operate when I am at home and you will judge for yourselves as to whether I am competent to discuss the matter under discussion or not.

The landlord and tenant proposition in the corn belt, of which, of course, I am most familiar, includes a large part of Illinois, Indiana, Ohio, Iowa, Kansas, Nebraska, Dakota and Minnesota. About a little less—I don't know the exact figure—but a little less than 50 per cent of the farms is occupied by tenant farmers. A great number of the people operating the land are tenant farmers. Now, there are different classes of landlords.

Speculation and Rise of Land Valuation

We have, first of all, a factor that has been a very active one in the last 25 years. In 25 years in the corn belt in Illinois, the fair value of land has increased from along about, from $18 to $45 an acre, up to about $175 to $250 per acre.

So that the speculators—the speculative landlord has been a very large factor in retarding the development and advancement of agriculture in the corn belt here.

You can see from this, and very clearly, that buying land in Illinois 25 years ago was a rather good investment. The joint farm next to me was bought, less than 30 years ago, at $18 an acre, and that same farm can now be sold at $200 an acre. That permits, in a great many instances, of rather heavy watering of the stock. Now, I do not believe that there is a stock company or a transportation company in this country, or a manufacturing company or establishment in the land, that could have anything like that much water—that could have knocked the bung out—that would not have had to run their water in with a spiggot that fast. I think that they would have had to knock the bung out to have watered it as much as the land has been watered in that length of time.

Now, that class of men has been a detriment to the farm interests, and to the landlords' interests, and to the general public's interest, during all these years. Why? Because the speculator has bought the land without any view of ever making it the source of an income, as far as its producing power was concerned. Why? He bought it purely on speculation.

While he was holding that land he was mining it for all it was worth and for everything possible to get out of it. He would employ a tenant in many cases, and in a certain percentage of the cases, without any idea as to that tenant's qualification for maintaining the soil, or for that tenant's qualifications or adaptability for that community,—to help build up the community, but simply as to his power to mine the soil and get the most possible out of the ground for that present year, because of the fact that he wanted to have all that he could get out of it while holding that land for speculation, and in turn, turn around and dump it on some other men for a large profit when he got through with the land.

Two Types of Tenants

Now, there are the 2 classes of those tenants. One class grows very little, for the standard of their living is very low. He cares very little for the standard maintained in his household.

He gets along and gives his family very little schooling advantage. I know what I am talking about because I have a neighbor today who has 5 sons, the same as I have, and out of those 5 sons, not one passed the third grade in school. The oldest son, who is going out to do for himself today, cannot write his own name,—and is a young man 25 years old. But that tenant farmer has sacrificed every comfort for the purpose of wrenching from the soil all the money he could get, and in turn buy the farm.

In the course of a few years he will have it all right, but he has paid too big a price.

Now, that tenant looks out for his own financing. He finances his own business on his own basis of his own business ability and energy, and he does not ask anything of anybody. That man has 20 head of horses, the best in the community, and if he wants to buy a team of horses and does not have any money, his credit is always good. He can go to the bank and get all the credit he wants, within reason,—he can borrow $1,000 or $2,000, and they know that he is good for it. Why? Because, they know that he will pay it and he will sacrifice everything a human can and that he has a right to enjoy, for the purpose of paying the debt.

And so, he goes along and buys a farm, and has not asked anything of anybody, and his sole security for financing his business is his energy, and his devotion to mining the soil and saving the money, and the financial fellows recognize that man's ability in that line and they are not afraid to lend him money. And, if he has a few years, he has gotten enough property accumulated to make him a proper security for all the money he wants and more if he wants to borrow it.

On the other hand, we have other men who have the same ideas as other men. They become a part of the community in which they live. They participate in all the affairs of the community. There is a class of us that there is not a public enterprise that comes along that we do not take hold of it and become a factor in shaping the affairs of that community.

As an illustration, we adopted the idea of having a high school district in my community not long since. I refer to our community, because that applies all through the corn belt. We have a lot of absentee landlords there. So that the children of that community, and who grew up in this community would be eligible to that institution and go through our high schools, the tenants who believed in building up citizenship and who are permanent fellows and expect to remain in that community, got out and put their shoulders to the wheel to bring about that condition which we wished.

Absentee Landlords Fight Progress

The absentee landlord came in in most instances, and, figuratively speaking, put a gun to this man's head and said, "do not do this." But we got together and brought about this result. That is one of the common things we have to contend with in the community. The absentee owner is not in favor of these things, and we also have this class of tenants.

But there are other kinds of landlords. Take, for instance, the man I am in business with and have been for a long time. I got married and moved on his farm on a Thursday and on Sunday morning he introduced me to a 4 mule team and 160 steers. That was 25 years ago. He has a splendid farm and he was raised on a farm and lived on a farm all his life and operated one all his life.

It is a stock and grain farm. I had not been able to buy my teams and he arrived at it in that way, and I find that there are a large number of men who own land in the North who are that class of landowners and that take great pride in their farm matters. They see some fellow like myself, who is ambitious and able to do things, and they take him up and go along and give him a show.

In my instance, he said, "I have the cattle to take care of and I will turn you over the teams and let you raise this corn and give you 12½ cents a bushel to raise it. I will pay all the expenses of repairing the harnesses and keeping up the teams, and you furnish the labor."

So I have the cattle until the time to put in the crops and then when I have gotten the crops in and in the shock, I go on feeding the cattle. In about 2 or 3 years I got too rich to do that and then I bought my own teams and went into partnership with him, as I have told you.

But we have a large number of men in this country who are land owners, and who are interested, not only in the present income, but in the lands being in such condition, that is, posterity may get something from it, and they take the matter up with their tenant, and if the tenant hasn't sufficient capital to take care of it, and has not his own livestock, and if his tenant is not of such a financial standing that he is able to carry it, the landlord backs him and furnishes the money to do this.

And as they go on on that basis, which is fair and equitable to each of them, and then they coöperate with a view of carrying out that system of coöperation or that plan, and to the mutual advantage of each of them, and to the upbuilding of the farm. Now, that is the other class.

Then we have still another class of landlords: They live on the very small farms, and they attempt to retire and live off of the income of those farms, and they are the poorest class of tenants, and landlords that we have, because they are both grabbing off all they can get from the farm, and they are choosing the hardest way to live. The result is that all 3, the landlord, tenant and the farm, grow poor together.

Now, it seems to me that the problem that is broached and the problem that we will have to take cognizance of is this: You have a great, national conference called here, with a view of doing what? Shortening the distance between the farmer and the consumer. That is what it all means. There has been a tendency in the past,—and I haven't heard it touched on in any of these meetings,—that affects this system of landlord and tenant,—that we may better this system and may establish a system in this country. It vitally affects it, and in turn affects the conditions of agriculture in this country. It is this:

A Poverty of Remedies

In the last 30 years, as I have already stated, as a speculative proposition, land has been a very desirable thing to buy. We have bankers, manufacturers and professional men, and the other fellows that have come back to the farm with their money—looking for a safe investment for their capital. They have invested it in the land. Banking concerns, in times gone by, took the farmers' money and bought the land with it. That is all legitimate, we are not criticising it. Buying it and having the money placed out at work, and with the increase in the price of land the corn belt, it has brought an enormous income, and added to their resources until there is a large amount of this land that has fallen into the hands of those fellows.

The Right Kind of Competition

That is competition, and it is legitimate competition, and we are not criticising any man for seeking and finding a safe investment for his earnings. That competition is keen today, and he has become a competitor with what would be the real farmer of the country, for the soil. Now, of all the remedies that I have ever heard proposed to make it easier to reach this end that you are talking about financiny—to become a landholder—it does not seem to me that I have ever heard a reasonable and feasible proposition submitted. I have had a great deal of experience in legislative matters in my state, and I have had an opportunity to confer with the lawyers of great business interests, interested in my state, especially with the transportation lines, and I think the tendency is in the right direction today to bring about a proper condition in this country, and instead of having a landless people, we will have a land-owning people. Instead of 1,500,000 on this land, we will have less than 50,000 in the next 30 years, if the present tendency goes on as it has. Let us bring about a change.

FINANCING LANDLORD AND TENANT IN PRODUCTION IN THE SOUTH

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The claims of the author of this paper to discuss expertly the landlord and tenant problem in the South are based on 3 separate investigations made for the University of Wisconsin, the United States Census Bureau and the United States Immigrant Commission, into the landlord and tenant situation in Mississippi, Texas, Arkansas and Louisiana. Moreover, a 3 years' residence in the Eastern South and a number of visits to almost every portion of the cotton kingdom gave him an opportunity to know the South somewhat intimately. These studies were made in the field going right through the cotton row and over the actual plantation on foot and mule-back, visiting the tenants and the small owners as well as the large planters on their plantations and in their homes. While some of the facts presented may be a few years old, the author has kept as closely in touch with the situation as possible and speaks with some assurance on all points offered for consideration.

A Southern Agricultural Problem

In some respects, it is very difficult to generalize on southern conditions, because these conditions vary a great deal in different parts of the South. The problems of the so-called "bottoms" and "black lands" are very different from the problems of production in the uplands. The weevil country and the immune sections of the South differ greatly in this aspect of the cotton situation. In many instances, different parts of the same county bring to light very different problems.

Nevertheless, everywhere in the South, there are some points of similarity. In the first place, the system of land tenure which provides for landlords and tenants in production is common everywhere. In the second place, the one-crop system is almost universal in the cotton belt and pretty general in the regions where rice, sugar and vegetable crops are raised. All over the South, there are renters, croppers and small owing operators. In the third place, the use of credit obtained from various agencies is almost universal in crop production. The crop mortgage to secure advances of supplies is general and the rent lien is a feature of agrarian legislation in the Southern States. There are other points of similarity but these, perhaps, are sufficient to show that there is a southern problem.

Economic Characteristics of Cotton

Cotton is the all-important crop and cotton has certain inherent characteristics: (1) It is a 13-months crop, which really requires 150 to 170 days of actual labor at more or less regular intervals throughout the year. (2) Cotton is a poor man's crop. It requires very little capital and a small acreage per family. (3) It will stand a great deal of abuse and neglect but it will respond marvellously to intelligent cultivation and careful management. (4) It is not a heavy yielding crop. As grown, a good average yield is one-half bale per acre, somewhat more than the United States average. A good crop is 6 to 10 bales per mule and often a two-mule farm produces less. A fair gross return is $300 to $600 per mule, but the variation in returns is tremendous. (5) Cotton has very good marketing characteristics. It is easily stored, handled in comparatively large units and divided readily, is in universal demand and can be moved with little loss. (6) It is an excellent basis for credit since it does not deteriorate, is a good insurance risk, and can be quickly turned into liquid capital. Nevertheless, except in rare cases, it is very much easier to get an advance of money on a growing or unplanted crop of cotton that it is on baled cotton ready for market in a farm storage or warehouse. From the beginning, cotton has been raised under a one-crop system, a system that has destroyed the land, discouraged the home-builder and kept large sections of the South in permanent poverty.

I need not say that a one-crop cotton system cannot sustain itself permanently. Fertility is exhausted; rotation of crops is not possible; livestock finds little or no place in the scheme; no source of current income is provided; a self-sustaining agriculture cannot be practiced and years of trial have proved the inability of the system to build up permanent, intelligent, and prosperous rural citizenship.

Forms and Extent of Tenancy

In this day of our Lord, there are, from the southern farmers' standpoint, 3 methods of land tenure—ownership, rent-tenancy, and share-cropping. There are 4 common methods of working the soil open to the landlord,—with his own family, with wage hands, by means of croppers or by renting to tenants. The wage hands receive a money wage weekly, monthly or yearly with some variations in detail. The cropper furnishes nothing but his labor, and receives one-half of the proceeds of the crop, his house rent, garden, etc., as his wages. The renter in the uplands of the South may be an independent manager and capitalist, just as we find him in the North. In the alluvial cotton region, he is only another sort of laborer, with a mule and wagon of his own. There are all sorts of local and incidental modifications of these systems but the general relations are as stated.

In the so-called Southern States, there are 3,097,547 farmers. Thirty-one and seven-tenths per cent of them are croppers or renters on shares; while 14.6 per cent are tenants for cotton or a fixed rent. One and three-tenths per cent are a combination of cotton and share, and 49.8 per cent are owners. In Mississippi, a typical southern state, there are 274,382 farms. One-third (33.6 per cent) of them are operated by their owners and two-thirds (66.1 per cent) by tenants, of whom two-fifths (38 per cent) are cash tenants and three-fifths (59 per cent) are either croppers or share renters.

Tenancy is increasing throughout the South; in some states very rapidly.

A very large percentage of these are one-crop farmers; a great many of them are speculators either in land or in cotton. From 90 to 99 per cent of the one-crop farmers, excepting always those of foreign antecedents, are borrowers.

Where there are tenants there are landlords. There are at least 2 distinct classes of these—those who live on their own plantations and direct their farming operations, and those who live in town, either near the plantations or at some distance, and earn their daily bread as lawyers, bankers, merchants, doctors, preachers or railroad men, and look upon agriculture as an incidental source of revenue rather than an investment to be taken seriously. The indifference of certain southern planters is amazing. I could name instances in which planters had not visited their plantations, a few miles distant, for years.

Even those who are most optimistic must concede that nearly all the croppers, white and black, are ignorant and unambitious, that comparatively few of the renters have sufficient capital and enterprise to carry on production intelligently and scientifically, and that many of the small landowners are not advanced agriculturists. Until within recent years, although we have had agricultural preachers and prophets without end, very few of the southern planters gave much heed to their sayings. No attempt is made to diversify crops or introduce new systems of agriculture unless the farmers are driven thereto by the boll weevil or the low prices of cotton.

Other facts which greatly complicate the whole productive problem are that renters and croppers are a shifting and often a shiftless class, that very few of their tenant leases or rent contracts run for longer terms than 1 year, that even under the very best conditions one-third to one-half of the tenants move every year.

A third complication is racial. In the black lands, the negroes outnumber the white tenants. In the uplands, there are more whites. In any case, there is little or no affiliation between them.

Borrowing for Production is Chronic

Borrowing is an old habit in the South. Before the war, land was not of much value, but planters operated on the security of their slaves, and cotton factors were willing to make advances on the prospective shipments of cotton. After the war, land was still valueless but the slaves were gone. Nobody had enough ready money to make a crop or pay wages. For this reason, the planter offered a share of the crop as wages and procured money for current expenses by giving a mortgage on the growing or unplanted crop. A few cotton growers have been able to pay off their first mortgage and save enough to pay running expenses 9 months in advance, but ever since 1865, the ordinary cotton grower has been one lap behind. The mortgage has been paid only by giving another mortgage to pay the first one. In the autumn, he borrows for the winter, in the spring he arranges a loan to carry him through the fall. Cotton is a staple easily and generally raised, but the yield and the price fluctuate greatly. The cotton grower is something of a speculator and he doesn't catch up.

The southern tenant borrows to pay for making a crop. His advances are for meat and meal, mules and mule feed, tobacco, molasses and general living expenses. A great many loans are for $50 or less. Perhaps $100 to $200 will cover the individual loan of most of the renters or croppers for a year. Since the loan is necessary to the making of a crop, and since the crop is harvested only in the fall, the loan must be made in the spring for a period of 6 to 9 months. If any renter desires funds for buying stock, it is probably necessary that the loan should be for a term of 2 or more years. Nevertheless, the ordinary method in many sections is to buy mules on time in the spring, and let seller recover them in the fall.

Bases of Credit

The fundamental bases of credits are the ability and the willingness to pay. Money should be invested so as to pay back both interest and principal. In other words, any loan should be for productive purposes. A loan for consumption cannot pay for itself. Payment must be made from some other productive enterprise or from previously stored-up capital. A productive enterprise is a good investment provided the borrower is willing to pay. A borrower should be honest, industrious, sober and enterprising.

On the other hand, if the enterprise is speculative, the risk is great and, consequently, the interest or rather the insurance charge to the renter must be high. If the loan is not for productive purposes, the security offered must be very good, both in property and in personal integrity. Unfortunately, a large percentage of southern farmers is weak on both scores. First, they are not personally men of high productive capacity, integrity or enterprise. Second, with ordinary methods, cotton growing is not uniformly productive and the borrower has few chattels and little or no real estate to offer as security.

It must be said that commercial loans in the South bear a comparatively high rate of interest. In fact, the interest rates increase as one moves southward from Washington to Texas. Eight per cent per annum is at present considered a fair commercial rate. Loans to land-owning farmers of the better sort average from 10 per cent to 12 per cent near and west of the Mississippi river. Loans to croppers and renters and landowners of the more ignorant and shiftless sort run from 10 per cent or 12 per cent or 20 per cent or more per annum. In many instances, these rates are exorbitant; in others they represent only a reasonable interest for the great risk incurred.

The Tenant is a Poor Credit Risk

The croppers are a shifting, roaming set; both white and black are usually unreliable and, of course, have no property and are utterly dependent upon the crop of the present year and the credit extended to them for support. In the rich bottom lands, they always work under an overseer upon a crop that is always in the control of the landlord, and which is planted, cultivated and picked under supervision. The mules are owned and fed by the landlord; the day is begun and ended under the orders of the landlord; the tools, the cabin, the fuel and the necessities of life are provided and supervised by the landlord. The cropper depends on his landlord for food, for shelter, for a doctor, for a lawyer, for a school, for labor. He works about 160 days in the cotton field, gets a settlement about Christmas time, giving him one-half of the crop and seed minus his living expenses and interest, and then he moves on.

Of course he is a poor subject for credit. In the bottom lands he goes to the planter, who is his commissariat, his banker and his employer. If he is in the uplands, he goes to the supply merchant who takes a mortgage on his ungrown crop. Whether he works much or little he gets a living and usually he gets a living only. To him the planter makes advances usually in food and clothing, but sometimes in cash. What the planter charges for the supplies advanced depends on the planter's conscience. Some charge 25 per cent some 50 per cent, some 100 per cent or more over cash prices and some add in the date at the head of the column when making up the yearly account. Whatever the planter charges, he has a good many bad accounts. These, of course, the honest cropper must pay.

The halver of the uplands and the poor lands may be black or he may be white but 90 to 1 he is abject, shiftless, hopeless, frequently drunken. He has no credit capacity and very little productive ability. No one except his merchant would advance him anything. The only security he can offer is his prospective crop or perchance the name of the landlord who "stands" for him.

The renters are in a little higher class. The share renter probably has a mule and a wagon; a few of them have harnesses and plows and perhaps a little household furniture. The cash tenant may add another mule and once in a long time a cow and perhaps a pig. In the bottom lands there is comparatively little difference between the dependence of the cropper and the renter. With the exception of the fact that the renter may use his own mule as he pleases, he is as much under the supervision of the landlord as is the cropper. His chances of profiting by his crop are greater than the chances of the cropper. On the other hand he risks more.

In the uplands the renter has a little more independence. In fact, the cash renter of the upland South is in much the same social and economic position as is the small landowner. Few of the renters are very intelligent. Comparatively few are acquiring land. Not many of them are progressive.

Credit for Crop Making Universal

Practically all renters seek credit. They can offer as security a chattel mortgage on their tools, mules and other livestock, if they have any. Of course they, too, may give a crop mortgage. The renters usually seek advances from the country merchant who provides them with their livelihood during the crop-making period, furnishes their seed and mule feed, and takes a second lien on the crop. The first lien is a landlord's lien for rent. In order to supply the renter with cash or supplies, the merchant must go to the local bank or to his factor. In either case, he becomes a sort of middleman between the banker and the producer. As a middleman, he takes whatever toll he can, charging not only a comparatively high interest rate running from 10 per cent to 20 per cent per annum, but also a bonus or additional charge for making a loan. This sometimes increases the rate on small loans to 50 per cent per annum. A very frequent method is to charge 10 per cent flat, whether the loan runs for 3 months, 8 months or 1 year. There is no doubt whatever that in a great many instances the merchant takes an unfair advantage of the renter and charges him outrageous rates of interest. A further complication of the situation is that the planter is frequently a ginner, mill owner and merchant. Consequently, he receives his profits not only from the plantation but from the store, the gin or the cotton mill. For this reason, of course, it is for his interest to charge as much as he can for supplies, and pay as little as he can for cotton in addition to obtaining as high a rental as competition will allow.

The Land Owner and Credit

The land owner is nearly always a borrower whether he be a large landlord of the alluvial region or a small operating farmer of the uplands. In some states probably 50 per cent to 80 per cent of the loans secured by owners come from the banks. In recent years a very much larger number of owners apply to local banks for the necessary cash. The owner needs money for current running expenses, for seed, for fertilizer and for household supplies. If he has a commissary he needs money to pay for the supplies he keeps on hand. A great many farmers buy mules and farm machinery on credit, and of course a small number at least borrow for permanent improvements, for building barns, levees, roads, drains, and the like. All evidence goes to show that the capable and progressive landowner is able to secure money on better terms than the renter. It is evident that the best farmers pay slightly more than the rate charged for the best commercial loans, but it may be said that few loans are made for less than 10 per cent. It is customary also for banks to take the interest from the principal, when the loan is made. The poor small landowner is in much the same situation as the renter.

Such is the situation as regards tenancy and production in the South. Looking at it from the standpoint of the lender of money, it is my firm conviction that 10 per cent to 20 per cent of the farmers of the South are hopeless credit risks. Anybody can get credit in the South, provided he pays enough for it. But this big minority of all the farmers does not deserve credit from the standpoint either of *integrity* or of *productive capacity,* from *willingness to pay* or *ability to pay.* For this reason, in many, many instances rates of interest are very high, and banks are unwilling to make loans for the length of time necessary to produce a crop. It is very hard, for example, to get money from August to January. National banks are permitted to discount farmers' notes for a term of 6 months; but 6 months is too short a time, for many are not owners and renewals cost money and trouble.

The Money Lenders Force the Continuance of Destructive One-Crop System

Few banks and few merchants are willing to lend on security other than chattel or crop mortgages and a crop mortgage must be based on cotton. This unwillingness to loan on other than a cotton basis fastens upon the South perpetually the one-crop system. It prevents diversification of crops and introduction of livestock, the growing of products that will give a return to the farmer throughout the year. In many instances it has given the country merchant the ownership of vast tracts of land upon which the former small owners are now eeking out a miserable livelihood as tenants, hopelessly in debt, always at least 9 months behind.

There are more evils in the situation than I have time to mention. These evils have a different complexion in different parts of the South; but most of them find their cause in the one-crop system, the crop mortgage, the supply merchant, the short-term tenancy, and the ignorance and shiftlessness of the tenant class.

Picture the renters of the Eastern Cotton Belt, say northern Georgia or South Carolina, moving from one plantation to another in great numbers in January of each year. The procession is usually led by a worn-out mule or decrepit horse hauling a broken-down wagon, driven by a worn and tired woman surrounded by several poorly clad, poorly fed children. The wagon is loaded with an old mattress, a few chromos, 2 or 3 broken chairs, a rusty stove, and a few odds and ends of household utensils. Behind the wagon follows a toil-worn man, ragged, unkempt, discouraged. He is probably leading an emaciated cow. This cow and the mule and the few household utensils represent his sole belongings. He is moving from one defeat to another. He has probably been moving in this way for 20 years. He gets no farther ahead and he can scarcely lose ground. The saddest part of it all is that this is a white family, our own kith and kin. Under different circumstances, they would be as strong and healthy and wholesome citizens as any in our commonwealth. As it is, they are poor, ignorant, hopeless. That they have the making of fine men and women, I can testify from a dozen instances, but the system keeps them down in what might be the most productive region of the United States.

Some Demonstarted Facts in the Situation

1. The all-cotton farm is less profitable than the food, feed and cotton farm.
2. The all-cotton farm is less safe as a banker's risk.
3. Bankers will actually lend to owners and renters on better terms if the risk is safer, i. e. on the food, feed and cotton enterprise.
4. Under this system the operator can pay cash for his supplies and save 10 per cent to 50 per cent on his usual supply bill, or bill for "advances."
5. That the operator will need much less cash for supplies is proved by Italians, Swedes, Germans and other foreigners in many parts of the cotton kingdom who are raising cotton profitably.
6. Merchants on the whole would rather sell for cash.
7. The rent may still be paid in cotton, or a cash rent given based on cotton.
8. The merchant is in the grip of the lender as well as the farmer.

Signs of Hope

Nevertheless there are some signs of hope.

1. What the foreigners can do and are doing: buying land—obtaining credit—lessening supply accounts—shaping the policies of the state—exhibiting the virtues of honesty, frugality, industry and desire foor education.
2. Some banks lending to tenants for cash, as a line of credit.
3. In boll wevil-ridden districts like Southwestern Mississippi, hogs, cattle and diversification have come in. The Natchez slaughter house buys this stock and has been building for years: it cannot reach completion.

4. Some splendid examples of rural leaders—planters, lecturers and demonstrators, fine women may be seen in the cotton land.

5. The young people are giving demonstrations of community organization, productive capacity and coöperative enterprise.

Some Remedial Measures

The remedies we offer may be disappointing to those who look for some panacea. There is no panacea. There are no 1, 2 or 3 pieces of legislation or projects of statesmanship that can bring peace and prosperity to the rural South. There must be an awakening along the whole line, the changes must be fundamental and the kingdom of righteousness must arise within the South.

In the first place, education; a more enlightened educational system, both rural and agricultural, is needed. A regime of compulsory education must be inaugurated. Only 44 per cent of Texas children are in school. The percentage of illiteracy among the whites of the rural South is hopelessly high. Among the negroes it is appalling. For years, 2, 3 or 4 months of voluntary school attendance has been considered sufficient in the cotton states. Very little attention has been given to agricultural education. We need an educational awakening in the South, such an awakening as is taking place in North Carolina, for example.

Second, the South needs a more progressive agriculture. This means diversification of crops; the introduction of a garden on every tenant farm; the growing of quick money crops, crops that the farmer can turn into money before the cotton is harvested; the introduction of livestock—hogs, cattle, mules; better farm management, the organization of the farm in such a way that there will be a balance between the money crop of cotton and the food crops, hay, grain and the like. The chief agencies in promoting this progressive agricultural development are going to be the county agents and farm demonstrators throughout the South. These men are going to introduce a new spirit into agriculture by teaching the farmer on his farm, and the boys and girls in the schools, the right methods and a broad outlook; they are going to free the South from the slavery of cotton and crop mortgages.

Community Action Needed

Third, community spirit and enterprise. The most significant rural movement in the United States today or in the world, for that matter, is the movement toward community enterprise, the organization of agriculture. The demonstration work so splendid and so significant in the South, the cattle tick eradication by counties, the boys' and girls' clubs, the community organization, and the community spirit are the hope of agriculture in the future. Once the banker and the farmer can get together so that the banker sees that the farmer's prosperity is vital to the bank, when the merchant prays for the tenant and ceases to prey on him, because his eyes are opened, when town and country can meet in harmony, then southern agriculture will come to its own. Progress must be by communities rather than by individuals.

Fourth, coöperative organizations: (a) for livestock improvement, for alfalfa raising, for cotton, breeding, etc.; (b) for creameries, ginneries and the like; (c) for warehousing and the sale of cotton and other crops; (d) for obtaining credit. All these are part of the community organization just spoken of.

A Community Credit Plan

So far as credit goes there need be no set form for these credit or rating associations. Suppose a community needs more and better livestock. To mature livestock requires an outlay of capital or an extension of credit for 2 years or more. Let those who would buy cattle pool their credit and pledge their several properties for security. Let each offer a mortgage on the stock purchased, provide for payments of interest and principal regularly and in reasonably frequent installments. Let the association stand sponsor for the entire loan and hold each member responsible to the association and the circle is complete. If such a project were presented to the local bank by a dozen responsible men, asking money to invest in a productive enterprise, the bank could not afford to refuse credit on the ruling commercial terms.

Some growers need machinery or mules or silos. Let the good men get together and draw up a true inventory of the property owned. Let them decide on the maximum loan. The good men will guarantee the loan of each member. John Smith will get $200; James Jones $500; $1,000 for Henry Davis; $50 for James Edmonds; etc. When John Smith desires a loan, let him apply to the association of good men who will consider the amount asked, the use he desires to make of the loan, collateral property he offers to secure and the conditions of payment; if the association approves let them endorse the application and turn it over to the local bank, guaranteeing its payment. In other words, let the association stand as the financial middleman between the banker and the farmer. Let the association guarantee the loan at the bank by a joint and several note and let them require the individual to give to them a chattel mortgage covering the loan he receives. I am sure that the bankers will meet the farmers more than half way in this attempt to secure productive loans and develop honesty and integrity among the borrowers. The banks will lend more freely and the farmers will be able to borrow larger loans on better terms.

This plan of coöperative credit does not necessitate the establishment of rural credit banks. All it presupposes is a group of farmers who trust each other and are willing to pledge their joint credit for the good of each. If the farmers will not trust each other, they cannot expect the bank to trust them. If they will not accept each other's security they cannot expect banks to accept their security except on harsh and unprofitable terms. Nevertheless any far-reaching scheme of this kind will demand a central bank or some central financial institution to assist these local rating institutions both financially and with advice and direction.

The Rating Sheet

Fifth, the use of a rating sheet by bankers for the purpose of making agricultural loans. The Texas Bankers' Association is using a rate sheet, asking pertinent questions concerning the amount of livestock owned by the farmer, the rotation of crops, the number of acres in hay and vetch, the number of acres in cotton, the farmer's equity in land, the farmer's possessions in other property, etc. Emphasis is laid on good methods, the keeping of livestock, the purchase of food crops, and the productive purpose of the loan. It is quite evident that the existing banking facilities of our Southern States should be employed, provided the farmer can make reasonable terms with them. There are almost twice as many banks per thousand of population in Texas as there are in Massachusetts. The use of this rating sheet means that the bank will take an interest in the development of better agriculture and the supervision of the productive use of money.

Sixth, loans on cotton which has been stored in approved storages. These storages may well be built by coöperative warehouse associations or coöperative exchanges among farmers. The Texas Bankers' Association has worked out a good plan for making these loans. The loans are extended on the basis of $35 per bale with an annual interest charge of 6 per cent, the loans running 6 months. These loans enable the grower to hold his cotton, but are not of much service for crop production since they come at the wrong time of the year. Six months is too long a term for some growers, too short for others. However, this plan put into execution represents at least 1 step in advance.

Fundamental Principles

Any credit plan that is not based on a utilization of the local banking facilities, that does not provide for organized financing on the part of the farmers, and that does not encourage or compel the productive use of capital and intelligent industry, honesty and integrity on the part of the borrower will utterly fail in meeting the southern needs. No governmental scheme of credit will assist farmers who do not help themselves, and any credit scheme whatsoever will fail that is not built upon the fundamental bases of credit—willingness to pay, that is, integrity; and ability to pay, that is, productive capacity.

Moreover, the regeneration must come from within. The South must help herself. Rich in soil she must see to it that the productive forces are not wasted. If her crop mortgage and her merchant advancing system is uneconomic—it is a southern, not a national problem and the South must throw off the incubus and work out her own salvation. The fact that many farmers in the South are now doing it shows that the program is possible.

Final Conclusions

A. It is essential that there be rural leadership rising from among the southern people. Such leadership must be developed from some or all of the following:

1. In Alabama and Texas, the bankers' associations are doing a remarkable work and are evidently striving earnestly to find a solution of the credit question. In other states individual bankers are working out the problem in their own communities.

I know of a number of local bankers in the South who have succeeded admirably in solving the problem of rural credit.

2. Landlords with spirit, intelligence and foresight. There are a lot of these in the South but we shall need more of them to take hold of this work with energy.

3. County agents, farm demonstrators, extension workers, agricultural educators of various sorts. These men are just beginning to get a vision of what is needed in the agricultural South. They are working with a plan and with a purpose and a few years of their work will show marvelous results.

4. Local men of enterprise, from any or every walk in life, with the good of the South at heart, especially those who see the need of rural education and an intelligent farming class.

5. The great coöperative organizations, as the Farmers' Union, cotton growers' associations, crop improvement societies, American Society of Equity and others. These organizations must take the leadership with others for better conditions.

B. There must be a recognition of the fact that the credit and given to farmers is not altruistic or philanthropic but that it is a

1. No section of our country is physically fitted to give better returns to investment in agriculture than our rural South. We must understand that the surplus capital obtained from agricultural production is the capital which must go back again to produce still more. The South does not want a gift; it needs money for investment.

2. Legislation to eliminate the crop mortgage and the crop lien on ungrown crops. This is outworn, useless and hangs like a drag upon the necks of the southern farmers. With this should go the compulsory commissary systems. They have not been needed in other parts of the country where agriculture has developed under much harsher conditions. They are not needed in the South. It is time that the southern legislator eliminates these institutions.

3. In many places the cash wage and the share rent system can be substituted for the cropper regime. This will do a great deal to loosen the joints of credit.

4. The development of reasonable schemes of land ownership in connection with a wholesome tenant system. There is no question that the truant system may be made a wholesome one. There is also no question that the small land owner is the backbone as well as the flesh and blood of our agricultural population in the United States.

THE LANDLORD AND TENANT IN PRODUCTION IN THE SOUTH, AND THE MARKETING OF COTTON

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I have been requested to discuss the following subject, "The Landlord and Tenant in Production in the South," and to show relation of tenant and landlord to various interests that must now be dealt with in producing southern crops.

The subject embraces 2 distinct subjects. The relation or work as affecting tenant and landlord is one. The subject would only refer to their dealings, plan of renting, working and marketing. The other would embrace those other interests which aid one or both of them in producing, harvesting and selling the product and the interests which, interfering with a change in marketing methods, makes the handling a wasteful system and prevents prosperity.

There are at least half a dozen tolls taken from cotton that are unnecessary. Each toll taker objects to any change being made, knowing it would destroy, or seriously interfere with his profits. These features are the ones which need changing and are the ones I shall embrace in my paper, although the subject mentions "production." I do this because I presume you are trying to find the source of the trouble the southern producer is having, and desire to find him a remedy for them.

There are 2 systems of renting. But before going further, will say I will only discuss that part of the subject which has to do with cotton, because cotton is our main crop, and must be until our seasons and climate makes radical changes, and because all other crops depend upon cotton money for their sale or use. One of the systems of renting is that in which the tenant furnishes everything but the land and gives the landlord one-fourth of the cotton and seed or one-fourth of what they bring. The tenant under this system usually does the selling and most generally divides his crop between cotton and corn to suit himself. The other plan is for the tenant to furnish nothing but the labor and each receives one-half. In this case the landlord sees after the selling or does the selling himself, sometimes with the knowledge of the tenant and most frequently without his knowledge. This class of tenants is as a rule, less intelligent than the former; for this reason a certain class of landlords prefer to rent to them. They will buy more from the commissary, can be fooled more easily and can be managed or forced to do the landlord's bidding.

Allow me to digress a little at this point to explain that but few speakers before the public seem to realize why the South has such a large per cent of tenantry as compared with other sections. It is because there is no money in hiring hands to make cotton. This being the case a man with more land than he can cultivate with his own family rents it out. Occasionally one will find a section of the country where ignorant labor can be employed. I mean ignorant in the way of education or any thing else except how to make cotton, labor that can be driven. Such frequently the best cotton producer, but it can be beaten out of its toil. But few men would rent their land out to others to manage if they could hire hands and come out ahead. Yet if this condition existed the tenant would soon be a home-owner.

The Tenant Starts in Debt

The tenant, and most of the medium-to-small landowners are in debt to start with and must make some arrangements for for food and clothing while making the crop. If the tenant, or landowner, is known to be honest, industrious and economical, he can, in some sections, buy supplies from the merchants or borrow a small amount of money from the bank without giving security. Otherwise, if he buys an implement he gives a note for it with a mortgage on it and a mule, cow, hogs or cotton; or he gets his landlord to sign the note as security for him. In either case the debt is due when cotton is picked or as it is picked. The mortgage may be to one merchant for the first bale, to another for the second and third bales and so on. As the first bale is picked, the debt against it is expected to be paid, and so on.

If the landlord ''stands'' for the supplies, he holds first lien over any one else.

The banking rate of interest is high in the South, also the profits on supplies are enormous; but neither are too high for the risk taken. The banks are not making vast fortunes; in fact their profits are in notes carried over from one year to another and they hardly know whether they have made a clear profit or not. The merchants are in the same shape. Statistics bear this out by the mercantile failures in the South.

Still statistics do not approximate the real condition. There is hardly a retail merchant who sells goods on time who has been in shape that he could close up and pay out in the past 10 years in the cotton districts. The wholesale houses know this and can not afford to close them out. Of course, this condition compels the wholesale houses and manufacturers to add sufficient extra profit to cover these risks. No one is to blame for these extortionate rates. The retail and wholesale merchants and country banks would be glad to have their business made more safe and charge a less profit but they can not under present conditions.

The Banks Borrow Money to Lend Money

The banks, like the merchants, borrow money during the spring and summer from their Eastern connections to loan to their customers to make crops. All of the interest a bank charges is not profit as it would be if the bank's customers were depositors. It must be remembered that most of the borrowers never have a deposit in the bank. They borrow enough money to pay for a mule, an implement or some feed and never see another dollar until the crop is gathered, then they take the cotton tickets to the bank or merchant holding the mortgage and pay their debt or as far as it will go.

Very few get out of debt, and they have next to nothing to buy winter clothes with or other necessities. Frequently one will get his crop gathered before some neighbor who has a large crop or has had some sickness and will take his children and gather for his neighbor to get money to buy clothes and school books.

There is no fault, in general, that can be laid upon any one or any class. The tenant, although poor or ignorant on any and all other lines, is most usually an expert at preparing, cultivating and gathering a cotton crop. I know of 2 men who have been employed by the national government for many years as experts in seed breeding and such work who have become landowners or in the actual work of managing farms, who say the average tenant is an expert in the production of cotton. They did not think so a few years ago.

The above conditions relating to farmers and other interests will not be such a mystery when it is understood that the average cost of producing cotton, basing wages at $1 per day, is 50 per cent higher than the average selling price. In other words, the producer of cotton works for about 50 cents per day. This price is not the highest price the consumer of cotton is willing to pay for it; but is the lowest he can get it at. We throw 12 months supply of cotton on the market in from 3 to 4 months and ask the consumers what they will give for it, or say to them, ''Here it is; give us all you can for it.''

Does any one expect it to bring half its value? Would any thing else that is for sale bring half its value? If a trainload of shoes, clothing, implements, automobiles or anything else were thrown on the market in this way to pay for their making would any one expect them to bring half their value? There is no use for you to study any other feature of agriculture or rural conditions until this evil is stopped. It is the breeder of all others; its cure will cure all others.

There are several interests that oppose the South in pricing her cotton. How they do it can be best explained by following the line of production to its end. After the bale of cotton is ginned and ready for the market it generally goes to the streets. Here it is cut open on one or both sides, and about a pound of cotton is taken out to find the grade. Frequently from 2 to 6 buyers look at it, and each one makes a new cut. This gets the covering or bagging about destroyed. Finally one buyer bids 5 or 10 cents per bale higher than the others and takes the cotton. These buyers get their limits to pay for cotton from the exporting firm in some city whom they are working for. These limits are furnished every few minutes by wire or phone. Sometimes half a dozen buyers in a town will agree on how close to their limits they will pay, thus getting the cotton for less than the market price.

Part of this loose cotton, taken as samples is taken by the one who buys the cotton, the rest is stuffed about the bagging which finds its way into what is known as ''the city crop'' later on. It is partly taken out by the local cotton yard and the balance and a good lot more is taken out when the bale gets to the compress, where the ties are cut and the bale is compressed to about double its gin density. Here patches of the previous year's bagging are put on and in the holes cut in the covering to make up the loss made by taking the cotton out and enough extra to amount to 8 or 10 pounds more. On account of the worthless covering and the dirt and trash that sticks to the bale the spinner deducts this amount more than the actual tare.

This extra amount is put on to equal the amount the spinner is known to deduct.

Remedies Should Begin at the Gin

From these transactions it can be seen that our cotton should be treated like cotton is in other countries. It should be pressed to its necessary density at the gin, a sample taken out of it before pressed and the bale completely covered with a lighter but safer covering and sold with a certain uniform tare. Presses are built for this purposes and cotton so pressed and wrapped is worth a premium over the present way; but if a gin installs such a press the opposition gets busy. The buyer docks the bale 50 cents or $1 and thus kills the gin. He is of course upheld by the compress man, and, consequently, no progress can be made along this line. If the farmers could sell to the spinner direct, that is all that patronized such a gin, they could force the change; but from the explanations of how the farmer is tied up, you will readily see how impossible it is unless an association were formed in some way to handle the crop in place of the way it is. You can see where the government could do a great deal towards standing off this opposition.

Fear Prevents Organization

A great many people are afraid to attempt an organization of the producers of cotton on account of the opposition. While fruit growers and other producers whose products are not dealt in on the exchanges have organized and are successful, they are confident, from past experiences, that the speculative and other interests would find some court that would assist in the destruction of the organization. They point to the action of Congress in the Clayton bill, in which an effort was made to give agriculture permission to organize without violating the Sherman Anti Trust Law. The best that could be had was permitting labor and agriculture to organize provided they did so *without a capital or not for profit.* Such legislation does not look good to farmers. It does not look as if Congress had enough interest in agriculture to oppose the interests that are preventing their prosperity.

Cotton, like all agricultural products which are dealt in on the exchanges, is easily affected in price by organization of the producers. Any movement which aids the producer to organize or hold in an organized way, helps the price. This is seen every few years. During 1909 and 1910, some southern speculators made an effort to get in control of sufficient cotton to be able to dictate the price. The price the year before they began and the year after they quit was about 9 cents. The 2 years they operated averaged 14½ cents, although they never owned more than 300,000 bales at any one time. As you know they were indicted for advancing the price of cotton in restraint of trade, thus violating the Sherman Law.

A cotton growers' association was started during 1912 and operated through 1913 with similar results as to price and method of destruction. Many think, or profess to know that the speculating and cotton interests were the cause of their indictments.

This fall we have an example of the effect of aiding the producers in marketing. When the crop opened up the price ran around 8 cents for some time, then Secretary McAdoo placed $30,000,000 in the reserve banks to be loaned to the farmers to hold their cotton, and announced that he would furnish more if necessary. Consumers of cotton, also speculators of the board, believed the farmers would borrow it and hold for a fancy price. Consequently, many spot cotton consumers and future cotton dealers became "bulls" and began buying heavily which advanced the price rapidly to 12 cents and better. At this point the country merchants and banks advised their customers to sell in place of borrowing and holding, which they did. When this was discovered the future dealers sold out and took their profits and the spot men quit buying, with the result that the price dropped rapidly.

I mention these incidents to show how easily the price can be made profitable and practicably stable. You will understand when any thing of this kind is attempted it will be opposed by all interests that now have any dealings with cotton unless it be the spinner. I am informed that he would rather have a stable market for his raw material.

Other Enemies of Cotton Producers

Allow me to state that the retail and wholesale merchants, also the country banks, are enemies of cotton in so far as holding it off the market; because they owe debts that are pushing them and unless the pressure is taken off from them they must oppose holding. Buyers and speculators are enemies to cotton because to make any beneficial change will injure their business. Many banks, especially city banks, are interested in some way with the exporters of cotton and oppose any change, because it would interfere with the exporters' business, consequently their own. Many country banks are similarly tied up. As to rural credits; the farming class only desires a business system of selling their products so they can pay out a debt, not one that will enable them to borrow money and get deeper in.

THE TENANT OF THE NORTH AND THE MARKETING OF HIS CROP

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Since the first count of tenants was made, in 1880, the number, and the proportion, in the Northern States has been on the increase. In 1880 there were 2 farms out of every 10 in the North Central States in the hands of tenants; in 1910 three out of every 10. In the West the proportion of tenants has not increased so rapidly. In the East it increased from 1880 to 1900 and during the next decade showed a decline in favor of ownership.

Perhaps the increase in tenancy in the North Central States from 20 per cent to 30 per cent may not look so very, very alarming since the latter figure is low enough to suggest a thoroughgoing predominance of land-owning farmers. But on closer study the case does not look so flattering. The North Central States is a big section of country, in fact over a fifth of the area and almost a third of the population of the United States is here included. Here is found a third of all the farms and half of the land values. Almost half of the horses, cattle, and machinery are found here while two-thirds of the grain and hay crops of the country are produced in these 12 states.

Were the 30 per cent of tenant farmers spread evenly over the entire area of these states their presence would not attract a very great deal of attention, but such is not the case. They are congregated very thickly in certain parts of the territory, and are therefore quite sparsely distributed in other sections.

For example there is a wide range between the 41 per cent of tenants in Illinois and the 14 per cent in Wisconsin, even though the states do join. Likewise there is a great contrast between the 38 per cent in Nebraska and the 14 per cent in North Dakota. To what can such wide variations be due?

First let us notice the tendency of the renter to gravitate toward the land high in value. For example, the average value of land in Illinois is over 3 times as great as that of North Dakota and the proportion of tenancy corresponds very closely with the respective valuations, there being about one-third as large a share of farms rented in North Dakota as in Illinois.

But the same situation can be found without going so far. Here in Illinois can be found as striking contrasts as anywhere in the country. For example, in the very choicest part of the state is a block of 14 counties in which at the last census the land was reported at upwards of $150 per acre. In this area were to be found as many tenants as land-owning farmers in 1900, while during the next 10 years the tenants increased 10 per cent and the land-owning farmers decreased in like proportion. In one of these counties there are more than 2 tenants to 1 farmer owning his land. In contrast to this a block of 19 counties may be found in another part of the state where the land is valued at but one-third as much per acre. Here the tenants are about one-half as numerous in proportion to the number of farms, and the rate of increase less than half as great as in the other group.

Large Holdings Increase Tenancy

Again the sections of the older states in which the size of farms seems to be on the increase show also an increase in the number of tenant farms. For example, in the group of counties in Illinois in which the value of land is so high the farms are not only large but tend to become larger. In the region of lower prices the size is not so great and the increase is not pronounced. The explanation of the greater prevalence of tenancy on large farms is the same as on land high in value per acre—the difficulty in obtaining the money for the initial payment enabling the buyer to borrow the balance. It takes $10,000 to make a 50 per cent payment on a farm in Central Illinois, while one-fifth that amount will make a similar payment on the average farm in certain other counties. That the investment is as good a one on the high priced farms as on those low in price does not alter the case so far as the young man without money is concerned.

It may be that the ownership of a railroad is more desirable from the standpoint of profitable investment than the ownership of farms of any size or value, but even so relatively few men will buy railroads. A man may within a period which does not look altogether discouragingly long amass $2,000 needed for the purchase of the farm smaller in size and lower in value while he may be altogether unable to see in his imagination the time when he can call himself the owner of a farm worth $20,000. Hence the majority of the logical owners of such land either turn their attention to some other kinds of work, or they settle down to a term of tenancy in hopes of buying land in some part of the country where it costs less than in their neighborhoods.

It may be of interest to look a little more closely at the tenancy situation in the outlying portions of this big section of country. In Northern Wisconsin and Minnesota a considerable part of the Dakotas, and the western parts of Nebraska and Kansas the proportion of tenants is decidedly low as compared to the rest of the district. The most important reason for this is undoubtedly the fact that throughout this long stretch of country land is cheap. Anyone owning a farm in the vicinity of great areas of unused land, held ready for sale at 10, 20 or 30 dollars per acre is well aware that his unearned increment is not greatly augmented by the annual rental income from his farm. Land is not rentable in the neighborhood where selling values are so low as to enable the man with a few hundred dollars to become a farm owner. The instinct to own land is strong and few Americans have thus far become farm tenants from free choice. In the Dakotas and further west the presence of government land has prevented the growth of tenancy. It is popularly supposed that the period of taking land under the Homestead Act was mainly past some 25 years ago. As a matter of fact there was never another 5-year period during which as much land was taken up by homesteaders as from 1909 to 1914. All of these homesteads count as farms and wherever they are numerous, help to hold the number of rented farms down.

Type of Farming Influences Tenancy

Tenancy is influenced greatly by the type of farming. The tenant flourishes in connection with crops that can be put in, harvested, and sold within the year. This is necessarily true in a country where leases are in the majority of cases for one year only. He keeps fewer cows, raises fewer horses, and has a smaller acreage of perennial crops, such as fruit or hay than has the farmer who owns the land. Tenants raise vegetables of the annual kind, even such a thing as asparagus, needing care for a few years before yielding returns is not produced by tenants to any great extent. In a similar manner the tenant raises the livestock which corresponds to his period of tenure. He is short on cows but has his full quota of hogs. He can raise and market the hogs within a year. So far as cows are concerned he is prevented from doing much on account of the general lack of barn room, pasture, fences, and the like.

Even though he should have a fair equipment in one place he is doubtful about what he will find on the next one he occupies. There are a few interesting exceptions to the general rule that tenant farmers do not go into the dairy business; where the prevailing type of farming is dairying, a system of tenancy has developed suited in a very good manner to it. It is called the stock-share plan, by which farm owner and the tenant are virtually partners, each owning a half interest in the dairy herd. This gives a stability and permanence to the tenant system which can hardly exist where the farm owner has no interest in the equipment of the farm. Of course this plan is by no means confined to one state or one group of states. It is becoming the most usual type of farming in the distinctive dairy district of Wisconsin, and is making much headway in Iowa and Minnesota. Nevertheless, in all the western country, and over the greater part of the East, tenant farms are not so well equipped with buildings for livestock as are other farms. Again tenants do not go into livestock raising because they are young men with little capital, and cannot raise the necessary money for such an investment.

The greatest of the evils of tenancy centers around the shortness of the time for which the tenant remains on a given farm. According to the last census report the tenants of the country remain on a farm between 2 and 3 years. This is not long enough to permit the tenant to become rooted to the soil, or at home in the community.

Long Leases Versus Long Tenure

As a remedy many are advocating the long lease and pointing to England as the classic land for that arrangement. To begin with, there are not many long leases in practice in England. There are, it is true, many instances of long tenure—quite a different thing. But England has a tenant class; a class who expect to remain tenants always; we do not have such a class.

Hence our tenants do not always want a long lease, since they are so often just ready to buy for themselves. But of far more consequence is the fact that the farm owner does not want to lease for long period since his farm is nearly always for sale and the sale would be interfered with greatly by a 5-or 10-year lease. Our landlords are as a rule speculators to a greater or less degree, and so long as this continues to be the case the long lease will not appeal to them.

Tenants are too transient to build up the best of credit relations. They do not have enough property to furnish the best of security from the banker's standpoint. Hence they are largely dependent on friends or on the owner of the farm they occupy for the needed credit. No safe generalization can be made concerning the status of tenants in regard to credit beyond the undoubted fact that a great many farm owners have abundance of credit due to the mere matter of farm ownership, while tenants have to show that they are ''good''. Often a signer is required, while as a rule the amount of credit over which they have command is strictly limited; they are subjected to special scrutiny.

The mere fact that tenants are so often on the move makes them weak bargainers. In a survey of a district in Minnesota it was found that but a quarter to a half as large a proportion of tenants as landowning farmers belonged to coöperative organizations. In such a case they were getting their marketing facilities at second hand and exerting little influence over them themselves.

Tenants Are Non-Coöperators

Among the coöperative elevators of Iowa, located in districts where the farmers are half tenants, and where tenants sell decidedly more than half of the grain shipped, but one-fourth of the members of the companies are tenants. Thus three-fourths of the elevator shares are in the hands of men who own land, while the tenants selling more grain than all of these hold but one-fourth of the shares. Not only are the tenants in the hands of their landowing neighbors so far as the management of their land is concerned, but where the farming population is half tenants, with less than a quarter of them in a marketing organization it means strength to the line-elevators and all other private undertakings of the kind and weakness to the tenants and hence to the whole farming group. If ever the tenant class become more stable with respect to length of residence, or better yet, should a greater proportion of landowning farmers develop out of the tenants of today, this weakness due to the transient stay of the tenant in a neighborhood may pass. So long as conditions remain as they are the tenant is a weak link in the chain. It is not so much that a company of landowning farmers impose on the tenants as that the tenants contribute so little strength to the marketing movement. In the first place they "dump" their produce because of lack of credit; in the second place they dilute the strength of the farming community. Where the tenants are more numerous than the landowning farmers this is almost a fatal weakness since one of the fundamental principles of successful marketing organizations is stability of membership. There cannot be stability of membership where the majority of the logical members are on the move 4 times a decade.

THE TENANT OF THE SOUTH AND THE MARKETING OF HIS CROP

Carl Williams

Managing Editor, The Oklahoma Farmer and Stockman

The subject is the Tenant Farmer of the South, and the conditions surrounding him in marketing his crop, and I can describe that in 30 words. I am irrepressibly reminded of the one-legged man who went out one evening and got drunk and he, on his way home that night, got his wooden leg into a hole and walked his other around himself all night; all the time wondering why he did not get home.

Now, that, my friends, is exactly the condition of the southern cotton farmer. He is going around and around himself and wondering why he does not get anywhere, and the reason for it, I shall attempt to bring forward right now.

I want you to get the importance to the South, of cotton. It is the one crop in the world for which nature has no substitute.

Within the last 100 years it has risen to a financial rank which surpasses that of any other commodity in its production, distribution, manufacture and final delivery in the form of finished products to the consumer.

The food of the world is necessary; but cotton is ahead of food in its demand for liquid capital. Iron and steel affect the imagination to a superlative degree because of the visible magnitude of the industries which are required to provide them. But iron and steel rank far below cotton in their demands on the world's credits, in the number of people engaged in providing them and in their universal importance in the world's trade and its use therein.

Here is a world wide business in a product whose raw value annually is not far from $1,750,000,000, and whose manufactured value is 2½ times that sum. In the United States alone the average annual value of the raw cotton grown and sold is more than $600,000,000.

It is the financial mainstay of the Southeastern quarter of our country; yet, so far as the cotton farmer himself is concerned, he is far worse off than if he did not grow it; not because it is cotton, but because of the financial system which has grown up around that crop and which directs the average annual profit obtained from its production into the hands of others than the men who are at the foundation of this great worlds business.

If all farm crops were grown and marketed on the system by which cotton is raised, and sold, the agricultural districts of America would be well on the way toward bankruptcy within 2 years.

Cotton a Good Collateral

Cotton is king, they say. Cotton is gold, they say. And their sayings are true. Under the system developed by those who control the cotton markets machinery of the world, this crop is unimpeachable collateral anywhere. A bale of cotton can be sold for a price in any city in the world. Money can be borrowed on it at practically its face value and at the lowest rate which prevails in the money markets of the country. Banks compete with each other for cotton paper. Cotton contracts are as liquid as stocks and bonds, and their speculative value is so certain that in years gone by, contracts for 30 bales have been sold and bought for every bale that was actually sold and delivered.

But all this comes after the cotton has passed entirely out of the hands of the farmer who grew it. Before that time its value is based largely on the need of that farmer, and on the greed of the man with whom he is forced to deal. Cotton is again the one crop of the world which is bought and paid for before it is raised. **The cotton farmer is practically always in debt: not because of his own inaptitude, but because of a financial system which actually takes away his profit before he earns it.**

I think I can make this clear: The average cotton farmer is a tenant farmer—often a shiftless tenant farmer; because a man who is lacking in hope and ambition is the only man who would willingly submit to the conditions which are imposed on him by the small financial powers of his neighborhood.

Forcing Tenant to Grow Cotton

He comes into a community with a few mules, a wagon or 2, some household goods and some farm machinery, and rents a little land. He is told by the landlord that he must grow cotton because and, once again I use the expression—cotton is the one crop of the world which can be neither stolen, wasted, eaten, sold nor given away without the landlord knowing all about it. Through a cotton crop the landlord is certain of his rent.

This tenant has little or no money. If he had he wouldn't be where he is. He goes to the country storekeeper for supplies and a credit is arranged, based on the number of acres this tenant will put into cotton. The country storekeeper also knows that cotton is collection insurance. This credit is a necessary thing for the tenant farmer; but the goods which he gets are charged him on a time-price basis that is anywhere from 10 to 140 per cent more than the cash price in the same store for the same article. Since the average store credit is given only until cotton-marketing time and runs on the average for only about 4 months, it does not take an expert accountant to figure out the interest rate per annum which the tenant cotton farmer is thus forced to assume in order to make his first crop.

Mr. Clarence Poe, who recently collected time-price statistics from a number of Southern States, estimates that the average interest charge per annum, in the form of time-prices in the tenant farming districts of Texas, is 81 per cent; South Carolina, 73; Alabama, 78; Mississippi, 68; Tennessee, 65; Georgia, 68; North Carolina, 62; Virginia, 54; Arkansas, 90; Louisiana, 61. Is it any wonder that the cotton farmer is often in the hole at the end of his season's operations? How much chance has any man to borrow money at such rates and earn a profit through its use?

How Banks Rob the Tenant

However, if this tenant farmer of our is a good tenant farmer he may not have to buy supplies at any such remarkable prices as these. He may be able to pay cash. If his mules are young and his wagons new and his farm equipment fairly complete he can borrow from the bank. The bank is always glad to make good loans—at a price. The bank will lend him $200 on 30 acres of cotton—estimated production, 10 bales; estimated value $600—will take a mortgage on the cotton crop and on all the mules and wagons and farm equipment, and will charge a merely nominal sum for the accommodation—anywhere from 12 to 40 per cent for a 4 months' loan. The interest, of course, is discounted in advance, so that the borrower may actually get for his 4 months' use as much as $188. The note which is signed bears no interest rate whatever, which is sometimes a convenient thing in those states whose laws insist that the maximum contract shall be 10 per cent.

That these figures are not exaggerated is well enough shown by the recent statement of John Skelton Williams, comptroller of the treasury, who pointed out that, in one southern state which I could name and in which there are 350 national banks, 300 of those banks received an average interest rate of 10 per cent or more on all their loans. More than that: "There were 131 banks which reported that they charged a maximum rate of interest ranging from 15 to 24 per cent; 67 banks whose maximum rate ranged between 24 to 60 per cent; 22 banks which charged between 60 and 100 per cent; 18 banks whose maximum was between 100 and 200 per cent and 8 banks which owned up to having charged maximum rates between 200 and 2,000 per cent. Most of these disgraceful and unprecedented rates were for comparatively small loans and to people who could least afford to pay them.

If these are the sworn records of national banks for the year 1915, what do you think of the state and private banks that are even less carefully supervised? Can the tenant cotton farmer earn a profit for himself under these conditions?

Where the System Pinches Hard

But this is not all. His credit account at the store is due to be paid November 1st—in some cases October 1st, in the far South. His note at the bank is made due and payable at the same time. The moment the cotton is picked these loans are called, and this action again causes the cotton farmer a loss which in itself is enough to cut all the profit from his year's operation.

There is more injudicious and hurried marketing of cotton than of all the other crops combined. Within 3 or 4 months the entire production passes from first hands. The spinners' demands during September, October and November are soon satisfied, but the farmer does not withhold his offerings. The landlord, the banker and the storekeeper are clamoring for their due.

Like any other product, cotton, if it is to sell at its natural value, must be sold as the demand calls for that sale. The farmer's credit matures in October. The merchant, who is carried by his bank and by the jobber from whom he buys, finds his own bills maturing at the same period. When the cotton is picked and baled there is heard over all the Southland the call of the creditor for cash. And so the farmer's cotton is hurried to market, not because of any special disposition on the part of the storekeeper or banker to oppress, but because of the economic system which has grown up in the cotton country and which does not recognize cotton as collateral for loans until it is out of the farmers' hands and into those of the speculator who fattens at the expense of the tiller of the soil.

The time when the cotton farmer must pay his bills is the annual "low" in the cotton market. A look at the market records for any year since 1900—I do not happen to have them any farther back than that—will show that there has been a range of from 2 to 7 cents a pound in the prices offered during the year. It will show, further, that the low point of the year, on the average, has come within the first week in November and that it has been caused by the huge amount of distress cotton which had to be thrown on the market by southern farmers in order to pay their pressing bank and store debts. Then, every year of the past 14 without exception, this annual slump has been followed by a nice rise in price as soon as the market had absorbed the heavy and sudden supply. **And the speculator, who could always borrow money at from 3 to 8 per cent with which to buy and hold this cotton while the**

farmer could not borrow at all, is the man who reaps this portion of the profit from the farmer's operations.

Mind, you, the same banker who charged the cotton farmer at the rate of 60 per cent a year on his summer loan, and who took a mortgage on everything that the farmer had in order to secure it, and who calls in that loan as soon as the cotton is picked and ginned, thus forcing the farmer to sell it, will promptly loan the speculator buyer of that same cotton its full face value at 8 per cent and will finance that buyer's operations for 2 or 3 months on this reasonable rate of interest. And this, too, in spite of the fact that the banker knows every atom of the cotton farmer's business, and knows little or nothing of the cotton buyer nor of his financial responsibility.

When Cotton Becomes True Collateral

''Cotton is King,'' they say. And their saying is true. **The trouble lies not with the cotton, but with the handling of it.**

Cotton is subject to damage by fire, by water, by weather; it can be sold anywhere for cash. As a result, when this cotton is picked and ginned the mortgagor must get his hands on it at once in order to protect his investment. The moment he gets it, or the moment it is sold by the farmer, it goes into a bonded warehouse at gin or compress or concentration point, where it is guarded and insured and otherwise protected until its safety is made certain.

Then, and not until then, does it become collateral with character on the markets of the world. The banker knows that the cotton is good, but he does not know that the farmer is good, and hence the present evil in the matter of early marketing.

As if all this were not enough, still another toll is taken from the meagre income of the cotton farmer by his own lack of knowledge of the quality of his cotton. The various cotton buyers in the small towns in the South make a brave pretense of buying on grade and of paying more for cotton of good quality than for cotton not so good. Any cotton merchant will acknowledge, however, that most of his country town purchases are made on a basis of quantity; not quality.

In the words of Charles J. Brand, ''A bale in town is a bale to be sold; and the buyer knows it.'' Their chief concern is apparently not to pay the market value of the cotton, but to pay as little as they can get the farmer to let loose of it for. As a result of this one fact, instances are on record in my own state where 2 bales of the same grade in the same town on the same day, brought prices which varied as much as $19.25 a bale. This particular price variation occurred at Magnum, Oklahoma, on November 7, 1912, and, though it is exceptional, it well illustrates the possibilities which lie in the methods of cotton marketing which have prevailed in the South since cotton first became a money crop.

A Helpless Class Growing More Helpless

The southern cotton grower is today in the hands of his commercial enemies. Conditions are apparently growing worse; not better. Tenancy is increasing; not decreasing. One man from my state, ordinarily one of the most level-headed of our students of farm affairs, said recently, "There is no solution. The concentration of land ownership and of monetary control will continue until our common people will have reached the present condition of European serfdom."

Tenancy is increasing, and with that increase there is found another increase in the class of tenant farmers who feel that they are being ground under the heel of oppression. They know that they should not be asked to pay 40 per cent or more on chattel loans. They know that they should never be asked to pay from 50 to 100 per cent advance in price on supplies at the store merely because they cannot pay cash, and they are rebelling more and more against the prevailing custom which says that they must raise cotton because it is the one crop of all crops which neither can be eaten nor stolen nor given away before the landlord and the banker and the country storekeeper and the cotton buyer have each taken a bit out of the proceeds—and when these portions are taken there is usually nothing left.

And so the tenant skins the land and runs down the place and robs the landlord whenever he can and sneaks away in the middle of the night to avaid paying his store bill. And so the landlord, the merchant and the banker—these 3—knowing that they face heavy losses at the hands of the shiftless tenants, put up the prices of all commodities, including that of money, in an effort to discount these losses and so make the ultimate profit for which all of us are striving in our business operations.

It's a terrible circle of discontent which is gradually becoming a storm center for radicalism in all its forms, and the mutterings of the storm can even now be heard by those whose ears are attuned and whose minds are keyed with sympathy and understanding.

I would not sound this somber note did I not believe that the dawn of a new day is at hand. I do not agree with my friend who think that European serfdom is in prospect for the common folks of America. There is always justice in the mass when time is a factor. Community thinking always results in community power. And there has never been a time in these United States when so many men of all classes and kinds and occupations gave community thought to a single problem as at this day and hour when the evils which strike at the root of America's farm prosperity have forced themselves on the attention of the people at large.

We are not all agreed on a remedy, nor do I believe that any remedy, taken by itself alone, will ever solve the problem. Community thinking, however, and the composite action which always follows that thought as surely as day follows night, will in time make of the southern tenant farmer a man whose value to the community will be measured only by his value to himself.

Where the Responsibility Rests

There is real encouragement in the changing trend of thought among those who financially control the tenant farmer's destiny. Some of them are coming to see that, while all classes are at fault, including the farmer himself, a greater responsibility rests on the folks who own the land and lend the money and furnish supplies than on the tenant who farms the land. They may be no more to blame than the farmer himself for the financial evils which affect so great a stretch of God's fair country; but they are coming to see that the possession of money or of the things which money will buy, always brings power and that, along with power, comes a great responsibility to use it rightly; not only for the accretion of greater wealth and still more power, but also for the benefit of humanity and for the development of the community in which they live.

Needed Remedies by Legislation

Legislatively speaking, there are some things which we of the Southwest believe to be necessary for the development of farm prosperity in the southern cotton sections. The first is a state anti-usury law, uniform, if possible, in all the states, which will reach both banker and country storekeeper on a fair basis that will admit of its full enforcement. Anti-usury laws of today are dead letters in the Southern States. Such laws will restrict credit; but they will also cheapen credit, even at the expense of driving out of business those smaller country banks whose owners insist that they cannot earn a profit on less than an average interest rate of 15 per cent a year.

The second is a graduated land tax which will make it less easy for the absentee landlord to control vast bodies of agricultural land with profit for himself and penury for his tenant people.

The third, and this directly affects the cotton marketing system which we have discussed, is a uniform bonded warehouse law in each of the Southern cotton states, with a uniform warehouse receipt which shall be, and can readily be, regarded as Class A collateral in any money market of the world. Then the cotton farmer who is today forced to sell his cotton on a low market to cover his 40 per cent summer loan can store his own cotton for a nominal charge per month and use his warehouse receipt as collateral for the 8 per cent loan which is today so readily given to the cotton buyer whose warehouse facilities are organized. The only important things today standing on guard to bar the cotton farmer's entrance to financial freedom are the facts that he deals in small lots and that his so-called warehouse receipt is considered of no value because of the lack of safeguards which would be thrown around it.

Need of Coöperation in South

This warehouse law, or some other law dealing with special phases of the same subject, should also provide for official cotton classers at every ginning center, and thus give the farmer an official opinion concerning he grade and class of his own cotton before he is forced to meet and bargain with the buyer who so easily bests him in their dealings of today.

To encourage coöperative organizations in southern states; to continue our present campaign for diversification in the South, that the living may be made at home and the production cost of cotton thereby lessened; to work for a system which will postpone the time of maturity of cotton debts and give the farmer himself more time in which to turn around after his crop is ready for market; to insist on a revision of our country school curriculum until it shall furnish a country education for country boys and girls and so the better prepare them for the country life which 99 per cent of them are predestined to lead; to establish a national rural credit system which will make it more easy for men to purchase and to pay for their own homes; not one of these things, alone, will solve the problem. There is no panacea for poverty, either in country or in the city. All of these things, however, together with other remedial measures which are sure to come out of the combined community thought of the country will, in my belief, bring a composite solution which will lift the whole agricultural South to a higher level.

Legisation alone will not do it; for the enforcement of law depends too much on the spirit of the people.

Agitation will not do it; for out of agitation often comes a horde of other evils which are worse than those they attempt to displace.

Education, in time, is more likely to be the certain permanent cure for every ill of the body politic; for the people of a state or of a nation, when they know what they want, can get that thing, regardless of opposition, if they want it enough to work for it as well as to talk about it.

These 3 things, education, agitation, legislation, will serve any rightful purpose for which we intend them; but the greatest of these is education; not for the banker alone, nor for the storekeeper, the landlord and the cotton buyer; but for the cotton farmer himself most of all, that he may see the heights above him and may be moved to climb instead of sitting inert in the valley below and deluding himself with self-pity into an attitude which is not helpful to the community welfare.

THE LAND OWNING FARMER OF THE NORTH AND HIS NEED FOR PERSONAL CREDIT

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About 70 in every 100 farmers in the North own some of the land they farm. Sixty of the 70 own all they farm. Their farms average 124 acres of which 81 are improved. Twelve per cent of the northern farmers own about half of the land they operate. Their farms average 223 acres, and 159 are improved. On the average, the land owning farmer of the North owns about 120 acres, two-thirds of which is improved. There are approximately 2 million such farmers.

Relation of Mortgaging to Personal Credit

Two in every five of the land owning farmers of the North operate land encumbered by mortgage. This fact, however, does not indicate that they have no short-time indebtedness in addition. Personal credit is as indispensable to the 875,000 northern owners with farm mortgages as to the 1,200,000 owners free from mortgage encumbrance.

Mortgage indebtedness and personal indebtedness are but the 2 parts of the whole agricultural debt. A restriction or modification affecting mortgage credit will have an effect on personal credit, and vice versa.

Legal restrictions on the power of banks, national and state, to loan on farm mortgage security, are found throughout the North. In North Dakota, for instance, it is estimated that the power to loan on real estate is about $5,000,000. The farm mortgages in effect total about $50,000,000. Under such circumstances banks loan on the personal note of the farmer, having the note secured by a mortgage on his land. As a result of this indirect practice, the statistics of personal indebtedness are inflated. What is more important, the rates on loans made personal in this way are higher.

In order to understand the need of the northern land owning farmer for personal credit, we must consider the things for which he has to pay out money.

The Objects of Personal Credit

Personal credit is sought by northern farmers for meeting a larger or smaller proportion of the expenses of making the crop, of running the household, of purchasing stock and equipment, and for meeting the other temporary financial demands of farming. Let us analyze the nature of these demands, and see what changes have been taking place in them.

Not least important in the items of farm expense are the taxes and other forms of assessments for the support of local institutions, such as churches, fairs and the like. Both taxes and assessed contributions have risen in the country, and nowhere is the burden greater than in agricultural communities of the North.

The payment of wages to farm hands has assumed growing importance as a cause of borrowing. In the first place, wages have risen. In the second place, payment in produce has largely disappeared. Finally, farm hands are not letting credits grow on the books of their employers so much as they used to do, but instead are depositing or otherwise making use of their wages. The amount of labor used on the farm has not decreased, though the increased employment of labor-saving machinery might lead one to think so. In the United States, as a whole, there was a falling off between 1900 and 1910 in the number of acres cultivated by an individual in agriculture. One person handled 82 acres in 1900 and only 71 in 1910, a decline of 13 per cent. Considering improved land alone, a single individual handled 40.4 acres in 1900 and only 38.7 in 1910—a decrease of 4 per cent. It appears, therefore, that the use of machinery has not reduced the amount of labor necessary. All factors considered, the farmer has to give more attention to his labor account. This means that most farmers have to borrow money to pay the hands before the crop is sold.

Operating owners of the North sometimes have other operators handling a part of their land. In 1900 approximately 25 per cent of the farms rented in the North were owned by men possessing 2 or more farms. It would not be safe to assume that the percentage is smaller now. Most owners of two or more farms are not operating a farm themselves. Some are, however, and these, probably more than non-operating owners, stand financially behind the tenants or managers on their land. This is especially true where the owner is helping a son, son-in-law, or other favored person to get a start. Until financially established, such operators have to depend upon the owner for help to meet current expenses as well as the expense of equipment. Some lines of farming require such coöperation between owner and tenant as a regular thing. In dairy regions share tenancy requires a constant investment by the farm owner to the extent of one-half the stock, except work animals, and also puts the owner under the necessity of paying half the current expenses, except labor and board. The managerial system requires a large investment on the part of the owner as well as a constant and heavy demand for current expenditures. These demands for advances to tenants and managers require an increasing amount of personal indebtedness.

Machinery Purchase Introduces New Type of Credit

The purchase of implements and machinery for the farm an owner operates or for the farm he helps another to operate frequently creates a large demand for loans. Farm machinery is usually owned privately, though an increasing amount of it is coöperatively owned. Machinery owned by farmers is increasing in variety of forms and has not been growing cheaper in any great degree. The value of implements and machinery per acre increased from 50 to 65 per cent in the Northern States between 1900 and 1910. This is due not only to the greater value of field machinery, but also to the greater utilization of automobiles, gas engines, tractors, engine-driven machines, grain dumps, and the like. Coöperative ownership is appearing among farmers operating farms of the medium size. Traction engines, grain separators, and shellers are the principal machines owned coöperatively. Since these machines are often bought on the joint note of the coöperators, we have here as in coöperative organizations for some other purposes, a form of collective security given by American farmers independent of European models. The purchase of machinery on credit has been increasingly significant in the North.

The use of mineral fertilizers has been mainly confined to the eastern group of the states under consideration. The spread of county agricultural organizations will doubtless result in increased expenditures throughout the entire North. Where promoted by the county or district agents, coöperative purchase of fertilizers is becoming an important part of the cost of farming.

The expense of putting up buildings on farms has been increasing. Considering farms of all operators the value of buildings per acre of improved land in 1910 ranged from $9.51 in the North Central States west of the Mississippi river to $46.37 in New England. The increase over 1900 was between 50 and 60 per cent. The value of buildings per acre is much higher in the case of farms operated by owners than in the case of farms run by tenants. The percentage of difference was 60 per cent in 1900 and 70 per cent in 1910. The land-owning farmer is subject to considerable expenditure, therefore, whether putting or maintaining buildings on the place he operates or on the farms he has others operate for him. It should be noted that the growing expense connected with farm buildings is not due solely to better equipments. The price of lumber rose fully a third during the last 15 years. Though substitutes have been employed in the place of lumber, it has been impossible to keep the cost of material down. The labor entering into the cost of construction has been more expensive in recent years, especially if brought out from town. In some respects, however, the structures are better. Urban ideals of constructing dwelling houses have influenced farmers in many parts of the country, resulting in more expensive homes. All of this means that when a farmer puts improvements on his place, he is likely to need a greater extension of credit than in the past.

Buildings, implements and fertilizers, though often the occasion of short-time credit transactions, ordinarily assist production over a long period. In this respect they are to be contrasted with the items connected with household supply and the supply of other commodities. Oil, for instance, has been assuming greater importance in recent years in the list of the farmers' regular expenses. The cost of living is higher for the farmer as well as for others. These developments mean that the farmer must obtain more credit for current accounts.

Livestock requires special consideration in any study of personal credit among northern farmers. The value of livestock on the farms of operating owners in the North increased about 50 per cent between 1900 and 1910. The incidental expenditures conected with the keeping of livestock—veterinary charges, the purchase of prepared feeds, the carrying of insurance, and the replacement of dead animals—all tend to swell the farmer's expense account. High prices prevail not only for power animals, but for milch cows, breeding stock, and feeders. Farmers feeding stock must borrow at every turn, in their purchase, feeding and care, and in their disposal. Coöperation has helped somewhat to facilitate the disposal of livestock, but except for a little coöperative ownership of breeding stock has not done so much with their purchase and feeding.

We may draw 3 conclusions from what has been said. In the first place the items of expenditure leading to personal credit have been growing and bid fair to continue to grow. In the second place, these items arise more continuously throughout the year. In the third place, coöperative enterprises need credit facilities and are able to provide superior security.

The Farmer's Income and the Personal Loan Period.

The more diversified the farming practice the greater the probability of an income at frequent intervals. There are very few farms, however, that have a regular income. The returns from marketing milk, cream, and poultry are subject to less fluctuation than the returns from almost any other farm products. But the milk producer will find his butter and cheese bringing their income chiefly during the summer, and the poultry farmer will market his eggs mainly in the spring. The grain products which figure most prominently in northern agriculture are usually marketed at the close of the harvest season in the fall. This is especially true of threshed grains. Bulletin No. 183 of the University of Illinois agricultural experiment station, just off the press, indicates that it might pay better to hold wheat and oats a few months after threshing. In the case of corn, according to the bulletin, it is best to market before the shrinkage has gone too far. The cattle raised in the North are mostly disposed of during the late summer and fall, sheep in the summer, and hogs in the winter.

It is obvious, therefore, that even the farmer with diversified operations does not have much income from the early part of the year until the latter part of the summer. The periods of heavy borrowing are from April to August and from November through December. A desire to repay the spring loans may be more or less responsible for the heavy sales of small grains at threshing time. Some lenders pay too little attention to the significance of maturity dates to farmers. The more thoughtful lenders to grain farmers, however, have the notes fall due in January or February, so that the farmer will not feel the pressure of settling at threshing time.

The holding of small grain on the farm may be expected to increase. During recent years as much as 6 or 8 per cent is sometimes held on the farm for a year. There seems to be no reason for thinking that holding for such a long time will increase. But the farmers may be expected more generally to hold their grain for a period of a few months. Better roads, coöperative storage elevators and warehouses and other such factors are favorable to this development. The farmer is entitled to such freedom in this matter as the proper adjustment of the terminating period of his loans will give.

From the point of view of rural finance, the development of scientific agriculture means that more investments must be made whose effects on production spread over a number of years. Such investments properly placed are well made even if the place must be mortgaged to get the means. Since American farmers are reluctant to mortgage their places and since the restrictions on mortgage loans limit the volume of mortgages, we may expect many of these improvements to be made by means of personal loans. Such loans, though they are temporary, need to have their terminating time carefully adjusted. Otherwise, the advantages of scientific agriculture will be limited to farmers who need to borrow least in order to install the desired equipment.

Respecting the period for which personal loans to farmers are made, it appears that it is longer than the period for which personal loans are made to other classes. Moreover it appears to be growing longer. If those in charge of funds subject to short-time ending choose to favor the more rapidly turning of non-agricultural loans, they may impede the progress of northern agriculture.

The Sources of Personal Credit

The main sources of short-time loan funds in the Northern States are the banks, merchants, and neighbors. The practice of borrowing from life insurance companies against accumulations on policies—a practice inimical to the interests of the farm mortgagor in times of financial stringency—seems not to be established among farmers. Borrowing from neighbors has practically disappeared from communities well supplied with banks.

Local general merchants carry the accounts of farmers on their books for varying periods of time. In newer parts of the North and more or less in other parts, the merchants require note security for book accounts. In some cases the goods are sold at a higher price because sold on credit, while the note requires the payment of interest at rates abnormally high. One reason why farmers persist in buying on book credit when they know it to be somewhat to their disadvantage is that they are thereby enabled to keep their credit at the bank unimpaired. Under such conditions it is hard to get concerted action on the part of farmer customers in opposing unfair practices by these merchants. Without a concerted effort affecting similarly all the stores in the community, competition can hardly be relied upon to lower prices. Mail order purchasing has an influence toward freedom in this respect, whatever else may be said about it. On the whole, it is easy to overstate the seriousness of the sins of local merchants in the rural communities of the North. In backward parts, however, it is possible to find some evils of this kind.

The book credit extended by repair shops, veterinary physicians, family doctors, dentists, and the like, while no small item, works to the disadvantage of farmers in very few rural communities.

Buying Machinery on Time

There has been a growing practice on the part of local dealers in implements and machinery to accept farmers' notes which the wholesalers or manufacturers are prepared to assume. The notes are drawn so as to bear interest bofth before and after they mature. They are made for amounts based on the quoted price. If one chose to pay cash, however, he would be able to get somewhat of a discount. Nevertheless, this practice has many things in its favor, some of them from the farmer's point of view. The rates on the loans are usually the same as those prevailing at the local banks. The farmer feels free to buy more than if he had to consult the banker about it. The dealer is able to reduce the proportion of bad debts by putting note security behind a portion of his time sales. The manufacturer is usually able to grant credit for a longer period than the local banker can. In case the machinery should be thrown back on the creditor, the manufacturer would be able to get more out of it than local creditors could. Coöperative farm machinery societies frequently purchase their outfits by this kind of credit arrangement.

Book credit to farmers for the purchase of machines seems to be undergoing a revolution. The automobiles have stimulated cash purchases in a manner quite unprecedented. Gas tractors are being sold in much the same way. The result is to increase borrowing at the expense of book credit. This is due to decreased purchases of other farm machinery on the one hand and the growing habit of cash purchases on the other.

To be contrasted with the local general merchant and the implement dealers in their methods of supplying farmers with credit are the factors, or commission merchants. The latter have a practice of furnishing farmers with funds for definite purposes. When livestock is concerned the money is to be used for purchasing lean stock and for getting it into a condition for marketing. The loan is on a note secured by a chattel mortgage. Often the commission house makes arrangements with the railroads so that the freight may be paid at one time from the place where the stock is first bought directly to the yards where the stock will be sold, with stop-over privileges of several months at the point nearest the farm. Some well established commission firms trace a large part of their profits to loan transactions. The factors receive the farmer's notes and are able to discount them at the metropolitan banks. The transactions can be arranged with maturity dates coming at intervals frequent enough to enable the factors to get the best short-time rates at their banks. To the farmer the program offered by the factor is simple and complete, and it enables him to use his bank credit for other purposes.

Bankers Dominate Northern Farm Credit

Significant as these various agencies for dispensing credit to farmers may be, the fact still remains that over half the credit business of farmers is cared for by bankers in the typical parts of the North. The bankers affording credit to farmers have sometimes been accused of discriminating against the farmers. Some forms of alleged discrimination are not really discriminative. Because a bank chooses to specialize in a class of business that is non-agricultural is no evidence of discrimination. Specialization by individual banks in one line or another cases no reflection on the other lines. Even so, on this basis, it would be hard to say that the farmers are discriminated against. Perhaps more banking institutions have their doors open to farmers than do not, and the farmers constitute only about a third of the persons engaged in gainful pursuits. Another form of discrimination is said to lie in the fact that banks are insufficiently abundant in number in some parts of the agricultural North. If a system of branch banking prevailed in the United States, localization of banks would be a ground for charging discrimination. It is only natural, however, that banks should be far apart in parts of the country agriculturally under-developed.

That some banks have an aversion to agricultural loans is not hard to explain. There are seasonal aspects of the farmer's banking that mark it as peculiar. Relatively little borrowing is done by northern farmers from January to April and in September and October. In the second place, farmers want their personal loans to run longer than other bank patrons, as a rule. While this means a smaller amount of negotiation by the bankers to place their money, it often means that the bankers must pass by other patrons whose more rapidly moving businesses would enable them to pay higher rates on loans running for shorter periods. In the third place, the farmers usually repay their loans at the time of the year when bankers must handle low rate commercial paper, if anything at all, to occupy their funds until the new demand arises from the farmers. In the fourth place, farmers frequently do not have deposit checking accounts, but deposit on time so as to get a little interest. In all these respects, the banking practice of the merchant, salaried, and professional classes has points of superiority over that of the farmer.

By way of conclusion from this survey of the sources of personal credit, it can hardly be doubted that the farmer feels that in too many cases there is an objection on the part of the banker to lending him money beyond a certain amount. In many cases, doubtless, it is to the farmer's interest that it should be so. The farmer is interesting himself in the credit devices of implement dealers, commission houses, and others, feeling that through making use of them he will "not impair his credit at the bank," or that he will be able to "use his bank credit for other purposes." In the second place, it must be agreed that there are districts in the North where the rates on personal loans are strikingly high. These high rates, however, are largely accounted for by elements of risk which can only be eliminated by the population becoming more stable, by farming methods being standardized, by local capital being accumulated, and by soil and climatic conditions being more successfully coped with. In the third place, taking the North as a whole there seems little reason for arguing that there should be more organizations for dealing in personal farm credits. The number of existing sources of credit is adequate in all but a few districts.

Some Constructive Proposals

The banks could do, and are doing much to remove the criticism directed against them. There is much to be done yet by bankers in coöperating with coöperative organizations. The existing coöperative organizations of farmers are not competitors of the banks. They can give security of an extraordinarily good character. The banks might well try to give them especially good terms. In the second place, bankers should take more care to put the dates of maturity where the farmers will be compelled to make the least modification in their program of marketing. In the third place, the banks should study farm investments, coöperating with farmers in the keeping of books. To bring this about it is necessary that more scientific studies be made in typical areas. It is equally necessary, however, that the local banker have more intimate knowledge of the farms of his community than is derived while traveling at a 30-mile clip in an automobile. There is a need, on the other hand, for the farmer to know more of the fundamental principles of banking in relation to his business.

Another source of help in solving the problem of personal credit for the northern farmer is the legislator. The federal reserve act enables banks with a capital of $25,000 or more to take advantage of the federal rediscount system. A bank having rediscount privileges may send to one of the twelve regional banks any amount of notes, drafts, and bills of exchange. Such paper, when agricultural in character, can be handled by any of the regional banks, in an aggregate amount equal to the percentage of its capital stock to be fixed from time to time for each federal reserve bank by the federal reserve board. The banks with a capitalization less than $25,000 are state and private banks. They are about half of the banks in the Northern States. It has been suggested that rediscount privileges might properly be extended to banks having less than $25,000 capital. Objections to such a step become greater as the minimum is lowered, especially if put lower than $10,000. But the admission of smaller banks to rediscount privileges would be beneficial to agriculture in the districts newly opened or rediscounted is almost insignificant. The 6 month maximum period for which agricultural paper may run will doubtless prove to be too short, and may have to be raised, at least for a certain proportion of the loans.

Exemption laws in some cases increase the risk to the lender by making it easy for a borrower to evade the payment of his debts. Such exemptions aften breed carelessness and extravagance on the part of some borrowers.

The repeal of mortgage tax laws or their modifications so as to avoid double taxation may enable some loans to be made on mortgage security that are now made as personal loans, to the detriment of the borrower.

Special loan companies, such as cattle loan banks, are restricted in their ability to incorporate in many states. Perhaps a federal incorporation of such banks would help to stimulate the breeding and feeding of livestock in the country.

It seems unlikely that a separate system of banks is needed to furnish the northern farmer with personal credit. Legislation should be passed permitting the organization of coöperative credit societies if the farmers want them. Whether they will be organized depends upon a number of considerations. Farmers will hesitate to form such societies because of aversion to the liability, the publicity of financial standing, the mutual spying, and the demand on time involved. With country bankers in a position to learn and sympathetically to coöperate with the business of farmers, there should be little occasion for bolting on the part of farmers.

It should be easier for the bankers to get into close and helpful relations with farmers than for farmers to develop a system of coöperative personal credit institutions. In most parts of the North the farmers would prefer to be spared the necessity of going outside the sphere of their chosen occupation.

THE LAND-OWNING FARMER IN THE SOUTH AND HIS NEED FOR PERSONAL CREDIT

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I am not going to give the address that I was going to give this afternoon, because we did much more important things, it seems to me, this afternoon, than to listen to addresses. I can not tell you how deeply I have been impressed by this meeting, for all through this meeting, in the atmosphere, has been that sort of coöperation, that old clan spirit that used to prevail in the heroic age. And when one has lived these so-called competitive days, which are really coercive, struggling and striving for coöperation, to see a body of men from all over this country and Canada get together, striking that one essential note, coöperation, with all its chords and modulations, is indeed inspiring to one who imbibed the spirit 20 odd years ago as a student in Germany. While in Germany I had the great good fortune for 3 years to study in the seminary of Professor Knabb. That seminary devoted itself entirely to the study of the land conditions of Germany and there, as an enthusiastic youth, I became more and more imbued with the splendid spirit of coöperation which I have found so wofully lacking in this great country of ours. Now that the not of coöperation has struck, I know that it is going to resound down this country of ours, and after this meeting I am going away with full hope in my heart to the South, which has become my adopted country, and where coöperation is just beginning to show itself about the dark era of slavery.

In looking back over the history of the world, we find that human beings have organized themselves, or been organized in only 3 ways. They have been organized along coöperative lines—and when civilization started that was the original system. When the land was free and unproductive, power counted in the world. We have the great clan days of the heroes, when personal labor, personal power, muscular and mental, counted. Then we reckoned our fellows in terms of brave men and wise men. These brave men and wise men coöperated for the good of their clan. Then came what I call the proprietary period of civilization, when the land became appropriated by the feudal lords, or the landlords, and thereupon coöperation, such as remained, became an involuntary coöperation, and the coërcive system of society ensued. Then the commercial era offers great possibilities, and that was the incentive of the market and the knowledge of marketing. Everybody was told to toe the mark and start fair; that competition would bring us equality and democracy. This competitive age of commercialism we have run through very rapidly in this country of ours, and find ourselves face to face with another coercive age, not feudal coercion this time, but financial coërcion. This competitnon has been succeeded in this country by coercion, and the coercion is now exerted not by landlords, as in the first instance, but by those who control the money of the country. Now that this second coërcive age is to be superseded by a new age of coöperation, a coöperation where all may have and lend money, the great social age that is coming before us, therein, I say, lies my great hope. But, in the South, where I have gone to take up my permanent residence, I find things in such condition that we need the message of cooperation more than any other part of the United States where I have lived.

Now, in looking over these conditions in the South, I was called upon by the editors of the "New Republic" in New York to write as far as I could what the conditions were that now prevail in the South. I wrote this short paper in the "New Republic" of September 11, and I will read from it, in order that you may see just about where we are in the Southland today.

Cotton Basis of South's Problem

Now, I say, "Cotton is the single cash crop, and therewith also the chief agricultural export, of the South. Add to this the fact that the supply of cotton is financially controlled not at the centers of exchange but at the actual course of supply, and you have in sum the essentials of the existing circulation. How this situation has come to exist is still an untold story. The end of it all—the fact that financial control has succeeded in fastening itself upon the cotton-producing states of the South—is evident on all sides. There are statistics also, and practical experience besides. These exhibit certain salient features, such as absentee landlordism, the tenant system, and so forth. I shall not attempt to tell the story myself, since there are others much better qualified. Among these is the Hon. Joseph T. Holleman, of whom the Atlanta 'Constitution' says, 'Probably no man is better posted concerning farm conditions in the South.'

"According to Mr. Holleman the situation has come about in this way: When the Southern soldiers returned to their homes after the Civil War, they had nothing but their land. Fortunately in every town and village there were a few men who kept up their financial connections with the North. It was these men who saved the situation, by buying goods on credit and selling them out to the farmers again on credit. Under an arrangement of this sort the southern farmers had to buy everything that they needed, not only seeds and agricultural implements, but also food for themselves and for their negro employes. Naturally the men engaged in this sort of business began themselves to accumulate land, by foreclosure, or by outright purchase. These men are today the large landowners and the large cotton producers of the South. 'In every county you will find them,' Mr. Holleman says. 'They own the banks, the fertilizer plants, the oil mills, the warehouses and the big supply stores, and all the important lines of business. They sell the farmer his agricultural implements, his fertilizers, his mules; all that he and his laborers wear, and all that he and his laborers eat. They also represent non-residents, who own large tracts of land, and they control these lands and dictate what shall be planted on them. They are also in politics, they are members of the legislature, they are active in all elections, they have candidates for all the county offices, they help elect the mayors of their towns, the solicitors of the city courts, the solicitors general, the county judge, the judges of the superior court, the congressmen, the governors, and the United States senators.'

"In this trenchant analysis of the existing situation, Mr. Holleman shows us quite clearly there are 3 classes concerned: free farmers, tenant farmers, and absentee landlords. As for the first of these, according to our authority, 'they are not more disturbed by the war in Europe than they would be by an eruption of the Volcano Vesuvius. Nor are they concerned as to whether they can sell their cotton crop. If they get the price they want, they sell it. If not, they pile it up under the oak trees in their front yards and let it stay there.' Thus, as Mr. Holleman says, 'we need not concern ourselves greatly about the real farmers, the independent farmers of Georgia and the South. They have demonstrated the fact that they can take care of themselves, in good times and in bad times, in times of peace and in times of war.' Nevertheless, we should concern ourselves seriously about their decline as a class. 'There are still such farmers left in Georgia and the South, 'but says Mr. Holleman, 'you can count them in each county on your 10 fingers.' So it is everywhere over the cotton-producing area. Even in the state of Texas free farmers are becoming fewer and further between. Altogether, according to Mr. Holleman's estimate, they number possibly 10 per cent of the farming population of the South.

Tenancy Alarms Georgia Thinkers

"As for the second class, that is increasing so rapidly that from statistics of the United States census Mr. Holleman shows: 'In 27 Georgia counties there are 51,033 farm homes; 34,429 of these farm homes are occupied by tenants, and 16,604 are occupied by owners. In other words, nearly 70 per cent of the farms are occupied by tenants. These are the farms that are producing the cotton.' Of the remaining 30 per cent, according to Mr. Holleman's estimate, 10 per cent are occupied by independent farmers, this leaves 20 per cent unaccounted for. These 'are occupied by owners that are small farmers who have never reached the point of independence and who follow exactly the same system of farming that is followed by the 70 per cent making up the tenant farmers.' Take Texas as an example of the new Southwest. In his preliminary report to the United States Commission on Industrial Relations, Special Investigator Charles W. Holman asserts: 'There are more than 235,000 tenant farmers in Texas.'

"Startling as they seem, these figures are fully corroborated by Commissioner Calvin of this state, who has gathered together the statistics and worked out some calculations on his own account. According to Mr. Calvin, 'In 1910 there were all told 415,838 farms in Texas; of this number 195,863 were operated by owners and 219,975 by tenants, or 46 per cent by owners and 52.6 per cent by tenants.' Assuming that farms operated by tenants have gained since 1910 at the same rate as between 1900 and 1910, Mr. Calvin calculates that on April 15, 1915, they must have outnumbered farms operated by owners by 35,040. Thus taking Georgia and Texas as opposite examples, evidently the tenant farming situation is pretty much the same all over the South.

The Tenant of South a Submerged Class

"At one time, in discussing Mexico, President Wilson referred to the down-trodden people of that country as the submerged 85 per cent. 'Well,' says Mr. Holleman, 'we have this submerged class in our own country, but you will notice I have raised the percentage. I put it at 90 per cent. About 10 per cent of our farmers are independent, 20 per cent are small white farmers owning their lands, and 70 per cent are tenant farmers.'

"That these conclusions are in no sense extravagant is evident further from the findings of the federal commission. Says Special Investigator Holman on this subject: 'The time has come for the people of this government to realize that its land inheritance is slipping away, and that ownership is becoming concentrated into the hands of a limited number of individuals. Moreover, the tendency toward further concentration is evidenced on all sides. At the same time tenants who farm the majority of the southern farms—that constitute over half the farms of the nation—are being reduced to the statute of wage laborers. In the Southwest the condition has become particularly acute, with the rapid increase of tenant farmers over home-owning farmers, and an accelerated tendency toward land ownership.'

"It is this last—the concentration of land ownership in the hands of outsiders, so to speak—that is fundamentally responsible for the existing situation. 'If,' Mr. Holleman writes, 'one of these owners lives too far away to look after renting and to attend to the gathering of the crop and the collection of rent, some local man is an agent for the purpose. This local man is certain to be one of the prominent business men in the city, the town, or the village nearest the farm. This local agent, of course, looks first to making a good rent contract for the owner. When that point is accomplished, then he sees to it that, in some way or other, the handling of all the cotton produced on that farm should come through his store or his bank. He sees to it that all the fertilizers that are brought for this farm, all the mules that are purchased for this farm, all the mules that are purchased and all the farming implements that are used on this farm, and that all the supplies to the tenants on this farm, are handled by him. His only idea is to make the farm produce cotton, and he will attend to everything needed on the farm, get the rents for the owner, and make a commission, or a sales profit, on everything that is bought for the farm or sold from the farm.' As for those that live close at hand, in the cities and towns of the South, they are business men for the most part, 'bankers, merchants, owners of oil mills, cotton factories, fertilizer plants,' and so on, as Mr. Holleman says, together with 'rich lawyers and wealthy physicians, superior court judges, members of Congress, and other classes, whose business training and business enterprises are based solely on cotton. They know that real farming cannot be conducted by them.' To become real farmers these men would have to 'go out in the country, live on the farms, and look after the cultivation of the land, the growing of grain and hay, the raising of livestock. This sort of farming requires constant and intelligent attention. Cotton farming on be done by any sort of a poor white tenant and any sort of a negro. All these poor tenants and negroes need is to have a little direction from town in the spring time, and arrangement by which all they eat, and all their stock eats, is furnished to them. Then they can produce the cotton and carry it into town in the fall, where the lord of the manor will be ready to take it, sell it, pocket the lion's share, and let the poor white tenant and negro tenant have just enough to keep him alive until next year's crop comes in. These men give no thought to the building up of the land but milk it from year to year for every ounce of cotton it will produce. This being the case, the single-crop system is evidently not the result of shiftlessness on the part of the farmers; on the contrary, the single-crop system appears to be imposed from above by the absentee landlords.''

Cotton Crop of South Controlled by Oligarchy

The foregoing statements, based upon observed facts, supported by official figures, and issued in all temperance by those best qualified to speak on the subject, substantiate the conclusions from which I set forth: The cotton crop of this country is controlled, and that, too, at the source of its supply. Not, as it should be, by the staple growers themselves; nor yet, as it might be, by the federal or state governments concerned; but, as it certainly should not be, by a comparatively small group of individuals composing the so-called cotton oligarchy of the South. The interests of these individuals are not in the first instance agricultural, they are fundamentally financial, and from the standpoint of the staple growers, altogether alien, if not actually foreign in character. Thus, in the last analysis the situation seems to resolve itself into a clear-cut issue between financial exploitation on the one hand, and agricultural production on the other. The natural resources of the South are such as to stimulate productive activities, not only along agricultural, but also along industrial and commercial lines. Under our existing exchange system, however, there is a condition precedent to be considered: in order to undertake productive activities it is necessary to secure capital cheaply and reasonably. Yet the available capital appears to be exclusively controlled, and those in control seem inclined to exploit. Hence the existing deadlock between exploitation and production, resulting in the single-crop system and the financial oppression of the South. Evidently to break this deadlock a twofold campaign is required—a negative campaign against exploitation, and a positive campaign for production.

In Texas both these campaigns are already inaugurated, along what seem to me the correct strategic lines, under the able leadership of Governor Ferguson, or Farmer Jim, as he is popularly known. The first thing necessary in the negative campaign is to disrupt the financial oligarchy; this done, the productive resources of the state will be opened to all the investors of the financial world. Such was the underlying purpose of the Gibson insurance bill, which failed unfortunately in the last legislature. But, as I understand it, the ill-fated Gibson bill was only the first gun in this negative campaign against exploitation; others will soon be fired that will fetch their mark.

But suppose, after the oligarchy is disrupted, the exploiters should reorganize their financial forces along national or supernational lines? In such case it would be necessary to bring forward and strengthen the fiscal forces of the state. Governor Colquitt's plan in this connection was to establish a state agricultural bank, which should land its funds directly to the staple growers against cotton as security. The difficulty is that no single state is strong enough financially even to regulate, much less to control the cotton situation of the entire South. Nor is it necessary for any state to proceed single-handed. That is the function of the national government, and the federal reserve act explicitly provides for just such a contingency. One of the prime features of this act is to mobilize federal funds and place them where they are most required.

Education of Exploited Is Needed

But to proceed against the exploiters is only one part of the proposed campaign. To attack, and even overcome the financial oligarchy, is not of itself enough; it is necessary also to educate and organize the exploited. In Texas particularly, whose population is composed of so many diverse and in some cases discordant elements, it is not enough to relieve the people from the pressure of exploitation; they must be educated also, and organized along productive lines, in order that they may be able to take advantage of their magnificent natural resources.

Like the negative campaign against exploitation, this positive campaign for production is also inaugurated in Texas, and well on its way under the able administration of Governor Ferguson. In the first place there is the tenant farmer's plank in the governor's political platform, which has since become incorporated in the laws of the state. According to this statute no landlord is entitled to more than a third of the cotton or a fourth of the corn, and bonuses are strictly excluded. So the tenant farmer has now at least a chance to succeed. In the second place there are the rural school law and the compulsory educational bill, which not only render it possible, but even make it obligatory for the children of the country districts to attend school. It will be interesting to observe how these laws operate when it comes to cotton-picking times when the children are required in the fields. Then again, diversified farming is not only encouraged, but also materially aided by both state and federal educational agencies; industrial enterprises are already instituted, transportation facilities are being extended throughout the state, and from these commercial expansion is destined to proceed.

Now, with the negative campaign against exploitation I shall save nothing to say in these few remarks with which I am to conclude. What I am interested in is the positive campaign for agricultural production.

Analysis of Production

Now, if you will permit me a moment or two of economic analysis, production is carried on by productive powers. There are only 2 fundamental productive powers. One is personal power, labor, muscular and mental, and that is the only productive power that belongs by natural right to man. That is a power which is intrinsic. It gets at the man himself. The other fundamental productive power is the physical power which is derived from the land, and that physical power again is mechanical and generative in character. Now, as the good philosopher Luke said, "Let labor mix with the land so that the land and the labor shall build together." But under our commercial system there is a third power which we call capital. So far as I am able to analyze it, capital consists of 2 phases, or 2 parts, like 2 sides of a shield: On one side capital is selling power and selling power is embodied in goods and in services. On the other side of the shield, capital is purchasing power, and purchasing power is embodied in coin and great instruments. Now, in order to increase the selling power of the southern farmer, a number of courses or lines are necessary to be pursued. In the first place, to increase selling power diversification is in order and diversification is a very difficult thing in the South. You cannot diversify in the cotton belt; you cannot diversify in the rice belt, and there are other states of the same kind where diversification would be absurd. It is just as absurd to diversify in the cotton belt as it would be to go to Burgundy and say, "Pull up these vines." Diversification is very limited through the South because of the cotton belt and other belts. To the extent that diversification is possible, that, of course, will increase the selling power. Selling power will be increased again by standardization, and generally through these coöperative movements which we have been speaking about today; coöperative marketing, coöperative credit and the coöperative warehouse, and religion and the rest.

But my subject was not increasing the selling power, but how are we going to provide for an increase of purchasing power on the part of the land owning farmers of the South. According to Mr. Holleman's estimate, these land-owning farmers of the South constitute 30 per cent. Ten per cent of these are absolutely independent and 20 per cent are dependent. It is really for this 20 per cent of dependent land owning farmers that our help is required.

Now, if you could conceive of the system of exchange in the form a great wheel, you would find that at the hub of this wheel is the financial center. So far as the South is concerned the hub of our wheel of exchange is in New York, because we do our financing through the East. The spokes of this wheel constitute the agricultural periphery, as it were. Along the spokes of this wheel from the tire, we will say, to the hub, you should conceive of a series of reservoirs or standpipes. Now, capital in the form of purchasing power, coin and credit, constitutes one fluid fund. The heavier part of that fund, the coin, will sink to the bottom; the lighter portions, the credit, will rise to the top. Under our commercial system the money, the purchasing power flows in easily from the southern agriculture periphery toward the financial center in New York, and certain amounts of this purchasing power are stopped and are held by these storage tanks, or standpipes all along the way. This fluid fund flows naturally from the agricultural periphery to the financial center, but this fluid fund or purchasing power does not flow in the opposite direction toward the agricultural periphery. In other words, the fluid fund will flow down hill to the financial center but it will not flow up hill toward the agricultural periphery. The result is that we, in the South, have to pump this fluid fund up, and we pump it up with high rates of interest, commissions and fees of all kinds. Capital must be made to return from the financial center to our southern agricultural periphery.

Coöperative Credit Is Necessary

Now, how can it be made to return to the agricultural periphery? It cannot be made to return under our existing profit system. It is not profitable to bring this capital back to the South except when the interest charges are practically prohibited. We shall have to introduce a new principle to bring this capital from the East, or the center, to the South, or the periphery, and that new principle is the principle which we have been emphasizing here in this meeting. That is the principle which was established in Germany with the Landschaft and with the Raiffeisen credit bank; that is, the principle of service rather than of profit. The only question is, who shall render this service? Now, the ideal way of having this service rendered would be through these coöperative credit unions. Therefore, I agree thoroughly with Mr. Herrick, that the ideal way is to establish these credit unions of the agricultural periphery and through this service system draw the capital out from the financial center to the agricultural periphery. But the difficulties in our way in the South are, at the present time, almost insurmountable. In the first place, we have the racial difficulties. We have there, farmers in Texas, whites, negroes and Mexicans. Coöperation under these conditions with racial lines between is very difficult indeed. To confine ourselves to whites entirely, there again you have colonies of the different nations, Germans, Swedes, Bohemians and the rest. Coöperation here is difficult, wherever these national lines overlap.

What we should do would be to encourage coöperation and the establishment of these credit unions throughout the South. But it may be that for the present we shall have to have this encouragement from the government. I can conceive of state laws whereby the state banks shall be encouraged to provide such coöperative facilities. Such was the idea of our recent governor, Colquitt, in the matter; to allow the state banking system of Texas to provide these agricultural banking facilities. The other way is to have the national government lend us assistance by this modification of the national banking law that was spoken about this morning. And, while I have not made up my mind on the subject at the present time, I am provisionally inclined to believe that help for the South must come primarily through the national government. The national government has provided for years for the delivery of letters, and now packages, of all kinds, to the personal address of the farmers through the rural free delivery system. Surely, such an organization as that ought to provide a similar means to bring the farmers together in some kind of a great organization and thus help them to band themselves together into credit unions which will provide them with the necessary purchasing power to carry on their productive activities.

It is along these lines, along the lines of coöperation, state aid, and national aid, that I think the solution of our serious problems in the South will be found.

INDUSTRIAL COÖPERATION

OFFICIAL BUSINESS

WHAT WE ARE TRYING TO DO WITH THE MONTCLAIR COOPERATIVE STORE*

EMERSON P. HARRIS
President, Montclair (N. J.) Coöperative Society

From the producer who desires to sell, to the consumer who desires to buy, the channel would seem to be direct, down grade and short, and it goes without saying that in the interest of the producer, the consumer and society in general, this should be so.

But, an analysis and examination indicate that this channel has been deflected and dammed to the cost and detriment of both producer and consumer and there is a very general suspicion that this is due to the fact that the traffic is in alien hands, having no interests in the producer or the consumer. Not that we employ any malice or conspiracy on the part of the middle man who is in possession of the machinery of distribution, for he, like you and me, is engaged in making an honest living by methods which he inherited but did not create. Nevertheless, the channel seems to have become twisted and tortuous for no apparent reason, except to collect tolls and since we cease to worship at the shrine of competition which we expected to protect all our interests we are increasingly ill at ease and to this fact is due the growing belief that the initial steps in distribution should be controlled by the producer and the final steps by the consumer, each serving his own best interests.

There may well be some tunnelling and dredging to make straight and free this channel, but with the producer working from his end and the consumer from his, the tax will be slight in proportion to the great gains in prospect.

When a statement has been made showing the enormous expense of transferring the commodities from producer to the consumer only half the story has been told which constitutes the problem of the consumer, for his indictment against the present system relates as much to its failure to perform its proper service as to the excessive expense.

There are believed to be valid reasons why the consumer has a right to look to the distributive system to aid him in making such selections of products as well as so guaranteeing quality as to give him the maximum value for his money.

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* Delivered to the second National Conference on Marketing and Farm Credits in Chicago, April, 1914, in joint program with the Western Economic Society.

The consumer, especially in America, is much more able to turn effort into dollars than to turn dollars into satisfactions. Dr. Dole in his recent book, "The Burden of Poverty," estimates that the poor at least waste one-tenth of their income by the selection and purchase of foolish things which do them no good. Higher up in the economic scale the waste is undoubtedly much greater, and surely the pure food problem is a part of the distribution problem, for the product is stopped in transit to be packed or prepared and is frequently debased and even poisoned.

A Competitor for Middleman

No one expects to eliminate the useful service performed by the middleman, but that that service can be performed more efficiently and economically there is no doubt, and there is the further question whether the initiative and control of that function should not be taken over by those most interested, namely, the producer and consumer. Have we not too easily assumed that the only incentive for the performance of this service is that of profit to the middle man? It is not novel to assume that this service can be successfully performed without the incentive of middleman profit. Distribution is already carried on in this country under the initiative of the producer as, for instance, the shoe manufacturers, who conduct their own retail stores and various other producers who operate in similar ways. Whether this is more efficient than the present profit-to-middle-man method we do not here discuss, but merely point out the possibility.

Distribution is also successfully carried on with the initiative wholly in the hands of consumers, as illustrated by a turnover of $600,000,000 per year by the English wholesale stores. This distribution is initiated and managed wholly by the consumer, no profit maker whatever intervening between, for instance, the tea estates in Ceylon, the plantation in Austria or the factory in Manchester and the final consumer in the remotest part of Great Britain.

Based upon what is being done by producers in this country, for example, the California Fruit Growers' Exchange and the North Pacific Fruit Distributors as told in these meetings by Mr. H. C. Sampson, and various farmers' organizations in different parts of the country, showing the successful management of the initial steps of distribution by the producer, and what I have just mentioned as being done in England, which is also successfully performed in various other European countries and the promising attempts at consumer coöperation in this country, are not these facts sufficient to justify the conclusion that distribution should be taken over by the producer in his own interests and by the consumer in his own interests—each working in his own field?

It is the consumer end of this problem to which I wish to invite your attention for the short time remaining at my disposal.

Notwithstanding the large, and we believe unnecessary, expense of distribution, the fact remains that the local dealer, especially in food products, makes on the average a small profit for long hours of hard work. This does not prove anything about the economy of the system which the local dealer reaps, in fact, it indicates the reverse, for competitors appear as rapidly as the last one assumes that he can make a bare living. In other words, local retailing is a function which behaves very much like natural monopolies in which competition does not cure, but rather aggravates the evils from which the consumer suffers.

The Chances of Success

But in view of the small profits made by the experienced dealer, how can a group of consumers who are wholly inexperienced hope to step in and perform the same function at a saving? Is it reasonable to expect that volunteer directors, elected by the coöperative society of consumers can succeed and help the consumer when the local dealer can only keep his head above water? But this is exactly what is being done by some millions of plain working people across the Atlantic. The situation, however, does emphasize the obstacles in the way of initiating coöperative buying, but the hope that this can be done to the great advantage of the consumers is based not only upon the fact that it is being done already, but upon the important further fact that the consumers' store has a simpler and easier task before it than has the dealer for profit, provided the consumers coöperative society is fully aware of the important advantages to be gained by coöperation and is based on a membership of loyal coöperators.

When I say that the coöperative society has a simpler task I mean that certain expensive things incident to private merchandizing can be eliminated from the work of the consumer-owned store.

Under our present system of aggressive or pushing distribution of products, there is expended for advertising, soliciting and other sales promotion expedients more than 10 per cent of the retail price, much of which is unnecessary from the consumers' standpoint. In other words, if consumers volunteer to serve themselves and commit themselves to their society, it is not necessary to spend money advertising nor soliciting them. This great expense of bringing the customer to the store can practically all be eliminated from the coöperatively managed store.

The 2 billions or so spent in this country annually for advertising, persuasive salesmanship, etc., could be largely eliminated if distribution were in the hands of the consumer. This vast expenditure has undoubtedly been constructive and wise, up to this time, but from the consumers' standpoint is, as now conducted, wholly waste.

When the pull of the consumers' need is substituted for the push of the profit-making distributor, publicity and sales methods will be revolutionized.

Then again, the ordinary dealer is subject to losses due to miscalculation as to supply. This, too, can be eliminated when consumers are disposed to act together dependably. The changed attitude of the store keeper would cause him to buy to serve the consumer, instead of buying to sell. He would give reasonable but not excessive service, cut out the solicitor and reduce the cost of delivery by one-half.

These expenses, therefore, incident to push, risk and profit for which the consumer now pays dearly, could largely be eliminated by the substitution of the coöperative buying system which has proven so successful in European countries.

What is Done at Montclair

At Montclair 363 consumers are organized on the Rochdale plan. These consumers owning the store in shares of $10 to $200 each, having one vote only, capital receiving only simple interest and all gains divided among consumer members.

But coöperation is only the frame work and will never be made successful without efficiency in store administration, and as indicated above, efficiency from the consumer's standpoint means something more and different from efficiency from the merchandizers standpoint, for the purpose of coöperative buying is to enable the consumer to get his supplies at the lowest cash wholesale cost, plus only the necessary expense of handling and bringing it to his kitchen.

Buying and store efficiency must, therefore, be taken up in as thorough a fashion as these things are handled in the most up-to-date manufacturing plant.

"A Bonus" Delivery System

At Montclair we have made some progress in this direction. The most notable thing we have done is the bonus delivery system, which enables the store to give satisfactory service at about one-half the cost of the usual practice in what is called "free delivery." The plan is simply to give our members at the end of each 3 months a delivery bonus or discount. This discount we placed at 5 per cent. The member who has carried all his goods home gets the whole 5 per cent in cash. Other members get the 5 per cent minus what it has cost the store to give each member delivery service. That is, if a member has a delivery bonus discount of $10 and the wagon has called at his house, say, 30 times, and it is found that each call of the wagon has cost the store 10 cents, then 30 times 10 cents or $3 is deducted from the $10 delivery bonus and the balance paid in cash, which in this case amounts to $7. It is not the purpose of this system to compel people to carry home their goods when it is inconvenient for them to do so, but to encourage care and foresight in so ordering as to necessitate the fewest calls of the wagon consistent with the convenience of the member. Thus the housewife has the incentive not furnished by the ordinary so-called free delivery to exercise the same care that she would if the delivery service were at her own expense, as, of course, it is in either case. This system, it will be noted, makes for equity as well as economy, for the poor woman around the corner does not pay, perhaps, 10 or 15 per cent on the price of her goods to pay for the carelessness of the housewife who requires several deliveries a day.

When consumers understand this principle and find that all can get reasonable service without any expense in excess of the usual free delivery and that those who exercise care reap the benefit therefrom both the equity and the economy of the plan commend it to the thoughtful.

Then, of course, we sell wholly for cash, thus eliminating expenses and losses incident to the credit system.

Cutting Down the "Peak Load"

Another thing the consumer-owned store can do is to considerably level down the service needs of the store so as to avoid what the electricians call the "peak load". To illustrate this, we found our force exceedingly busy on Saturdays. The secretary sent a circular requesting all members to place their orders Friday so far as possible, and immediately the Friday business was so increased that it substantially equalled that of Saturday, greatly facilitating the work and enabling us to close at the proper time Saturday evening. We are now asking our members to place orders for staples and heavy goods, so far as convenient, early in the week. This again will even up and save excessive clerk hire. Of course, meats and vegetables must be delivered Saturday, but many other articles can as well be ordered early in the week.

We are also undertaking to make the store serve as a clearing house through which our members can order in quantity such things as apples, flour, potatoes, etc., having them delivered direct from the car and in this way a material saving is made to the consumer.

We anticipate that the society may be able in some cases to get things direct from farmers through parcels post by ordering through the store.

The coöperative society need not feel wholly committed to the store system but is engaged in moving products from the producer to the consumer at the lowest possible cost and serving the consumer in every possible way.

When the machinery for the final steps of distribution is owned by the consumers and managed by their hired representative, a long step has been taken toward the complete solution of the pure food and correct measure problems. The manager of the consumer owned store has no incentive to illegitimately cheapen anything, for no one connected with the coöperative store makes any profit or has any interests to serve other than those of the consumer.

A Real Step Forward

Adam Smith has said that the only way to balance supply and demand and to arrive at the correct price is by haggling between seller and buyer. Perhaps this is so, but when this haggling is carried on across the counter between the housewife and the storekeeper in individual bargaining, the housewife is at a great disadvantage and is engaged in an undignified and difficult business. The housewife is comparatively uninformed and will seek in buying, by playing hide and seek with bargains, to beat the dealer at his own game.

In coöperation there is a remedy, for the haggling is removed from the counter and is conducted by the manager in the primary markets under conditions which nearer approach equality of terms on the part of the buyer and seller.

The consumer, therefore, can rest assured that his interests, both regarding cost and quality, are served better than he himself could serve them and his mind, or rather her mind, is set free to give attention to matters other than cost and honesty of quality and measure, and when the pull of the consumer's need has been substituted as an incentive for the push of the dealer's profit, peaches will not be fed to hogs in Connecticut and vegetables rot on the ground on Long Island, while thousands within a hundred miles are in need of these things.

Our real incentive in Montclair is that of laboratory work, helping to tunnel mountains between producer and consumer, to work out methods which will reduce the cost of necessities to the consumer by at least one-eighth and insure purity and full measure. We hope to do this not mainly for the advantage of our own members, or even our own community, but to prove that the great principles which have been so successfully carried out in the old world can be applied under metropolitan conditions in the new, and to help bring to pass that condition in which the joy of work will be increased by the certainty of turning the wages of work into the maximum of that which will supply the needs of the worker.

REPORT OF THE COMMITTEE ON PERMANENT ORGANIZATION

(Adopted by vote of delegates)

I. Agricultural Organizations

Your committee on permanent organization after careful consideration respectfully recomemnds to this Conference:

That the chairman of the Conference appoint a committee of 10 who shall meet as soon as practicable after the adjournment of the Conference and proceed at once to organize an American Agricultural Organization Society.

Such committee should have power to create sub-committees to represent the various interests that from time to time will ally themselves with the Agricultural Organization Society.

Such committee shall start a campaign to put the Agricultural Organization Society on a permanent financial basis, to seek representative membership from various societies, organizations, and in general to work out plans to put such society on a permanent democratic basis.

Such society shall have for its purpose:

(1) To examine into the methods of production and distribution of farm products with a view of evolving a system of greater economy and efficiency in handling and marketing the same.

(2) To encourage and promote the coöperative organization of farmers and of those engaged in allied industries for mutual help in the distribution, storing, and marketing of produce; for the economical transfer of agricultural produce from the producer to consumer, for, in short, the efficient organization of the business of agriculture.

(3) To supply instructors and lecturers upon the subject of coöperation among farmers, auditing and accounting experts and legal advice in matters relating to organization.

(4) To issue reports, pamphlets and instructions which will help in spreading knowledge of the best means of rural betterment and organization.

(5) To organize and coöperate with central bodies and local branches of societies or other associations, for the promotion of "better farming, better business, and better living."

(6) To encourage and coöperate with educational institutions, departments, societies, educational centers, etc., in all

efforts to solve the questions of rural life, rural betterment and agricultural finance and marketing and distribution of produce and the special application of the facts and methods discovered to the conditions existing among the farmers of America and to the solution of the problem of increasing cost of living.

(7) To investigate the land conditions and land tenure with a view to working out better, more equitable and fairer systems of dealing with this problem so vital to the social and the economic well-being of the country.

(8) To call from time to time such conferences or conventions as will carry out the above mentioned objects.

II. A Permanent Open Forum

Your general committee on organization and federation was charged with a duty by the delegates who attended the 1914 conference with formulating a plan of permanent organization for the continuance of this conference as an open forum and for federating with it existing agencies brought into existence for purposes of open discussion of those subjects that have to do with the great agricultural problems of America.

Your committee has been at work during the past 18 months, carefully canvassing the field and studying the complex problems associated with agriculture, and it now begs leave to submit to you a plan for the permanent organization of the conference.

Your committee recommends that the National Conference of Marketing and Farm Credits be continued on its present basis as an open forum of discusion of the problems that surround the production, distribution and financing of the American farm and the American farm products. Your committee recommends in this connection the following:

That the control of the Conference be continued by the general chairman of this Conference appointing a central committee of 20 men; and that there shall be associated with this general committee a state director from each state, who shall serve in an advisory capacity.

Your committee recommends that these state directors be selected by the delegates from each state represented at this conference, and that the elections of said delegates be made by the state delegates present, and that the nominations be presented at one of the business sessions before adjournment.

Your committee further recommends that the order of retiring the general committee be determined by the committee itself after it has been completed by the present permanent chairman.

Frank L. McVey,
Frank P. Holland,
Henry Wallace,*
John Lee Coulter,
Charles W. Holman,
M. R. Myers,
Charles S. Barrett,
Gifford Pinchot,
L. D. H. Weld,
Lou D. Sweet,
Herbert Quick,
E. P. Harris,
E. M. Tousley,
H. C. Sampson,
Charles McCarthy,
Clarence Poe,
James C. Caldwell.

REPORT OF THE COMMITTEE ON RESOLUTIONS

(Adopted by vote of delegates.)

In the preparation of resolutions, the committee has in mind the purposes of the call for the Conference. The many opinions held of problems pressing for solution have made it impossible to include the content of all resolutions offered to the committee. This Conference, however, consisting of representatives from 44 states, the District of Columbia, and from Canadian provinces, presents its views for public consideration under the head of marketing, conservation, rural credits and congratulations.

I. Marketing of Crops

The immediate needs in respect to better marketing are standardization and information, to the end that a trade classification as to pack or grade may mean the same thing in one market as another and that farm products may be intelligently priced and distributed.

a. Standardization. We believe that under the interstate commerce clause and the weights and measures clause of the federal constitution, Congress has ample powers to prescribe standard packs and grades of all farm products both in country and city districts, and we recommend that the United States Department of Agriculture through such agencies as may be provided be authorized to evolve from the best business practices and to establish by such means as may be devised, standards of measure and quality for all merchantable farm products. We recommend that Congress immediately provide by law for federal inspection of commodities of large volume, such as grain, hay and cotton, whereas such inspection is now conducted under state law or under rules of commercial bodies, to the end that by such future inspection all the classifying and grading of articles of interstate or foreign commerce may be made uniform.

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* Deceased February 22, 1916.

b. Information. Accepting as we do the trade law of supply and demand as universal and inexorable, the Conference approves the employment of governmental agencies in the collection of seasonable information reflecting the acreage, condition and output of farm products; and we urge greater effort and, if need be, more generous expenditures in order that such reports and estimates may be more accurate. But we insist that equal energy be employed by the governmental agencies in collecting and disseminating corresponding seasonable information covering the manufacturing, commercial and other trade conditions which reflect the rate of consumption of each given farm product.

We recommend that the bureau of foreign and domestic commerce and the office of markets be provided with the necessary means and be required to coöperate in the collection and dissemination of information which will enable the producer fairly to price and wisely to distribute his products. We recommend that this information be furnished while the farmer has produce to sell and not after he has sold it to organized traders and speculators who under present conditions are enabled to prosper unduly at the expense of the farmer.

c. State Market Commissions. In view of the fact that market commissions are rendering valuable service to producers and consumers in broadening markets, in aiding the producer to secure a compensatory price for such products, and the work of such marketing commissions can be greatly aided and producer and consumer still further benefited by increasing the number of such state marketing commissions, the National Conference on Marketing and Farm Credits hereby strongly urges the states in the union, which have not yet created a marketing commission, to do so at the earliest time in the interest of their own producers and consumers as well as in the common interest.

d. Terminal Markets. We recognize that the practices common in many of our terminal markets have caused a great deal of dissatisfaction among producers, and a consequent shattering of confidence even in the worthy agencies of distribution. The National Conference on Marketing and Farm Credits, therefore, places itself on record as favoring federal legislation for interstate shipments, which will require commission merchants and any other receivers of farm products on consignment, to keep a uniform system of accounts giving each shipment a number in rotation, showing date and from whom received, date of sale, name of purchaser and price; to forward a transcript of the entry promptly to shipper; and to keep all such records open at all times for examination by the shipper, or any state or federal official.

In our opinion, the proper administration of this legislation can only be accomplished by stationing federal inspectors at all the large terminal markets.

II. Rural Credits

a. Aid and Direction in Reclamation. Conditions have arisen in certain sections of the United States in recent years that are retarding rural development and making it more and more difficult for farmers of small capital to become owners of the land they cultivate. These conditions include higher prices for land in private ownership, higher cost of irrigation, higher cost of living, higher wages and larger outlay to improve and equip farmers. The influence of such conditions is shown in the falling off in land settlement in certain sections of the country and in the increasing number of failures among these settlers. It is shown in the other sections of the country by the decreasing number of farms cultivated by their owners and by the colonizing of rural districts with people who are able to pay higher rent because they will accept a debased standard of living.

We believe that the remedy for these conditions existing in the irrigation sections is to be found in legislation by the states, or by the nation and the states, which will provide money to be loaned settlers to aid in the preparation of public land for cultivation and for the purchase of such privately owned land to be resold to settlers under methods and conditions similar to those now in successful operation in Ireland, Australia, New Zealand and other countries.

As such legislation would involve a radical departure from past methods and policies and as the systems of other countries would have to be modified to conform to our needs and conditions, the first step toward the inauguration of such legislation should be comprehensive investigation of the subject.

This Conference, therefore, favors and recommends to Congress the appointment of a commission of 5 members to investigate the methods and results of land settlement in certain sections of this country where settlement of cut-over lands, drainage of swamps lands and irrigation must be undertaken; and also the causes and results of tenant farming in the entire country; and to prepare a report with recommendations as to measures needed to remove the obstacles to acquiring farms and the modifications needed in the successful land settlement systems of other countries to ensure their effective operation here.

b. **For Banking Facilities.** There are 118 bills or more for rural credit systems before Congress at the present time. Many of these bills contain wise provisions that should be enacted in the laws of this country. We are confident that with the undoubted sentiment for credit better credit facilities expressed in no uncertain tone by the farmers of this country, Congress will enact at this session some legislation along the line of rural credit. But this Conference goes on record as endorsing only such legislation as will provide for the soundest valuation and the most careful maintenance of true educational values, and only such legislation as is based upon self-help, careful auditing, a sound amortization plan, and the coöperative principle of organization for rural credit banks.

Such a rural credit system should be created to aid:

1. Tenants who are in need of working capital and who are willing to form approved coöperative organizations under which moderate credit may be safely extended;

2. Tenants, who have reached a financial condition which makes the purchase of land a safe risk but who require larger loans and longer time than they can secure under the existing commercial credit conditions;

3. Land owners who desire to add permanent improvements without impairment of working capital.

We oppose any legislation that suggests the wholesale distribution of government funds or the loaning of government credit, in such a way as to encourage land speculation, or land investments which the business experience of our people has shown to be hazardous.

This Conference, therefore, strongly endorses a practicable plan for rural credit. It just as strongly protests against any plan that will end mainly in real estate speculation and increase in land values to the disadvantage of actual settlers.

Any plan adopted for aiding settlers by a better system of rural credit should be preceded by an effective plan for preventing the increase of land values that otherwise is certain to deprive the settler of intended aid. This is done in Ireland and elsewhere by fixing in advance the prices at which land shall be sold by owners. It is done in Victoria, Australia, and elsewhere by government purchase and resale to settlers. It might perhaps be done by an unearned increment tax on benefited lands. Whatever method may be adopted on investigation, we consider that this object of preventing speculation and providing that the actual settler rather than the speculator, or so-called "investor" shall have the full advantage of improved credit, is the most needed preliminary step in a program of rural credit, reclamation and land settlement.

We recommend that this Conference be represented at Washington this coming session of Congress, in the presentation of this phase of rural credits to the proper committee.

III. Accommodations and Service

The Third National Conference on Marketing and Farm Credits here have enjoyed the hospitality and excellent service of the Hotel Sherman, and extends thanks for the many favors extended by the management.

To the officers and committee on organization this Conference extends thanks and congratulations upon the great success of this Conference. And in this connection the Conference recognizes the high grade of service of the secretary, Charles W. Holman, and his assistants, in bringing the Conference to a successful conclusion.

In the opinion of your committee the chairman of the Conference should be instructed to send a telegram of good wishes to the sponsor of the First Conference, Hon. F. P. Holland of Dallas, Texas.

H. W. Danforth, Chairman.
Charles McCarthy.
Elwood Mead.
Clarence Ousley.
H. W. Tinkham.
Frank L. McVey, (Ex-officio.)
Charles W. Holman, (Ex-officio.)

WORK OF 1914 SESSIONS

At the Second National Conference on Marketing and Farm Credits, held in Chicago, April 14-17, the delegates passed, by unanimous vote, the following report of the Committee on Permanent Organization:

After a survey of the problems, both local and national, your committee recommends:

(1) That the work of this body should be perpetuated under the name of the National Conference on Marketing and Farm Credits.

(2) That the chairman of the business sessions be instructed to appoint a general committee of not less than fifteen members whose personnel shall be of a representative character.

This committee should have powers:

(1) To increase its membership according to the needs of the work to be done.

(2) To create such subcommittees to represent the various interests that from time to time will ally themselves with the National Conference on Marketing and Farm Credits.

(3) To work out a scheme of membership representation among the various societies, organizations, institutions and individuals that are admitted to membership, and a suitable membership fee for each of the parties here referred to.

(4) To begin a constructive educational program for the improvement of the standards of farm products and for the assisting of farm producers to perfect the necessary organizations for the carrying out of this plan in the most businesslike way that is possible for each organization.

(5) To look into the feasibility of holding an all-American standardization exhibit at the time of the third conference, and to be given the power to act.

(6) To determine the time and place of the Third National Conference on Marketing and Farm Credits.

The authority granted this general committee and its subcommittees should expire at the end of the Third National Conference on Marketing and Farm Credits.

Respectfully submitted,

FRANK L. McVEY
B. F. HARRIS
CHARLES McCARTHY
JOHN GRAHAM BROOKS
LOU D. SWEET
J. C. CALDWELL
CHARLES W. HOLMAN.

REPORT OF RESOLUTIONS COMMITTEE

In addition the delegates passed, with only two dissenting votes, the following report of the committee on resolutions:

"Your Committee on Resolutions respectfully submits the following:

(1) WHEREAS, The Sherman Act as it is now construed is a serious menace to progress of organization and confederation; and,

WHEREAS, The farmers and the other coöperative organizations do not wish to be lawbreakers, neither do they wish for special exemptions of any kind; and,

WHEREAS, They wish legislation which will not hinder or forbid such legitimate organizations and which will prevent unfair practices by all organizations as well as protect such organizations from unfair discrimination and practices directed by great or small combinations or dealers.

Therefore be it resolved, That this Conference hereby demands from Congress legislation which will properly modify the existing Sherman law to the end that this proper and reasonable protection and regulation be extended to coöperative organizations, whether they be of consumers or producers, and to the end that such organization be fully protected and encouraged thereby.

(2) *Resolved,* That it is the judgment of the Conference that Congress should appropriate liberally for the maintenance of the office of markets, and further that the said office of markets should employ at the earliest possible time, specialists charged with the duty of ascertaining all facts pertaining to the marketing of all farm products, particularly perishable products, having in mind an early plan for the proper preparation for market, shipping, inspection and selling of the said products, and that as early as practicable special attention be given to the investigation of the feasibility of placing federal inspectors of perishable products in the principal markets and transportation centers also that this office be urged to coöperate with the various state departments of agriculture.

(3) *Resolved,* That we urge all farmers and other coöperative organizations to join us by sending delegates on a proper representation basis as determined by our permanent committee, to our next conference in order that all coöperators will eventually be joined in some kind of a national permanent federation.

(4) *Resolved,* That this conference hereby requests all transportation bodies to extend the work now done for greater production to an equal effort toward standardization and marketing, and that these transportation agencies be invited to coöperate with all future efforts of this conference in this direction; we hereby urge such agencies to federate their efforts and organize definitely for this purpose.

(5) *Resolved,* That the question of holding the Conference at the San Francisco Exposition be referred to the committee on permanent organization which has already been charged with the duty of passing upon the time and place of the next meeting.

(6) WHEREAS, The United States Commission on Industrial relations has indicated the intention of looking into the farm labor problem;

Therefore be it resolved, That this Conference urge that the said commission make an exhaustive investigation of both farm labor and farm tenancy problems, particularly in their relation to the more business-like production and distribution of farm products.

(7) WHEREAS, The educational institutions of the various states of the United States have during the past decades given most of their attention to the problems of production insofar as they have interested themselves in agriculture; and,

WHEREAS, The problems of marketing and farm credits have now come forward as questions of great national importance, causing great public concern;

Therefore be it resolved, That the Second National Conference on Marketing and Farm Credits urges upon the aforesaid educational institutions the desirability of giving these subjects a place in their courses of study and be it further resolved that we urge legislative bodies to liberally support the effort to establish this new work by reasonable appropriations of the public funds.

(8) *Be it resolved,* And it is the sense of this body, that the campaign for the standardization of packs, packages, carriers, etc., should be immediately taken up and the various interests employed in promoting this work be solicited to coöperate in forwarding this work and in forwarding an all-American standardization exhibit.

(9) *Resolved,* That this Conference urge upon Congress action upon the question of rural credit; this action should be

taken, however, with care and deliberation. Great interests which have already controlled the marketing of industrial securities are now striving to gain control over rural credit. **Again we recognize that any system of bonding on a long time basis must be based on the soundest valuation and maintenance of agricultural values.** Any hasty or wild-cat exploitation will only hurt in the end every effort to promote an efficient system of agricultural credit. Amortization schemes must be carefully tested in order that they do not prove detrimental to true coöperation, which is only successful the world over when based upon self-help, careful auditing, valuation and sound business methods; we favor the basic coöperative principles in dealing with the question of farm credit, as well as in all other matters of farm organization.

(10) *Resolved,* That we heartily endorse the passage by several legislatures of true coöperative laws based upon the one man, one vote basis, and urge upon the members of this Congress the necessity of promoting such laws in every state of the union.

We hereby endorse the coöperative plan of marketing goods and urge upon our legislatures proper legislation for the encouragement of such organizations, the protection of them against unfair discrimination and upon the business of producers, and also such survey of state markets and market conditions, and the furnishing of such information by marketing commissions or otherwise, as will adequately help in the work of such true coöperative organizations.

WHEREAS, The national government and the various state governments now expend large sums for the collection and diffusion of information showing the quantities of farm products raised by American farmers, i. e., to the question of supply, but have given little attention to the question of location and extent of demand.

Therefore be it resolved, That the Conference urges the desirability of the collection and diffusion of similar information showing the demand for these products both in this country and abroad.

J. C. CALDWELL, Chairman,
CHARLES MCCARTHY
JOHN LEE COULTER
JOHN GRAHAM BROOKS
A. W. SANBORN.

ACCREDITED DELEGATES 1915 CONFERENCE

Alabama

McLane Tilton, Jr., Pell City; banker, secretary, Alabama Bankers' Association.

Max Bleiberg, Cullman; farmer.

Emmet A. Jones, State Capitol, Montgomery; chief of Markets Bureau, representing the State of Alabama.

Arkansas

W. S. Goodwin, Warren; lawyer, and member of Congress, Seventh District of Arkansas.

J. W. Stroud, Rogers; farmer and fruit grower, secretary, Ozark Fruit Growers' Association.

California

Elwood Mead, State University, Berkeley; professor of Rural Institutions, member of state rural credits commission.

Harris Weinstock, 525 Market St., San Francisco; California state market director, California state rural credits commission.

Canada

G. G. White, 1079 McMillan, Winnipeg; lecturer, Manitoba Agricultural College.

R. M. Kinzie, Winnipeg; farmer, Manitoba Grain Growers' Association.

W. J. Black, 22 Victoria St., Ottawa Economic and Development Commission.

G. F. Chipman, Winnipeg, Manitoba; editor, Grain Growers' Guide.

George Popper, Toronto, Ontario.

H. S. Arkell, Department of Livestock, Ottawa, Ontario.

F. C. Hart, Parliament Buildings, Toronto; Department of Agriculture.

J. H. Hare, 2 St. Clair Ave., Toronto; livestock branch, Department of Agriculture.

James W. McGuyor, 12th St., Brandon, Manitoba; farmer.

J. W. Rutherford, Department of Natural Resources, Canadian Pacific Railway, Calgary, Allwita; superintendent of agriculture, Canadian Pacific Railway.

V. Winkler, Manitoba; minister of agriculture of Manitoba.

W. E. Colborne, 812 Sommerset St., Ottawa, Ontario; farmer.

Colorado

Russell H. Forbes, 804 First National Bank Building, Denver; newspaperman; Colorado Fruit Growers' Auxiliary Committee.

Frank N. Briggs, Cor. 15th & Stout Sts., Denver; president Interstate Trust Company, representing state of Colorado.

W. M. Lampton, 221 Equity Bldg., Denver; general freight agent D. & R. G. Ry.; representing the State of Colorado.

Charles L. Hover, Longmont; farmer, representing the State of Colorado.

Lou D. Sweet, 516 Equity Bldg., Denver; farmer, Colorado and National Potato Associations.

Delaware

H. Hayward, Newark; dean and director Department of Agriculture, Delaware College.

District of Columbia

Carl Schurz Vrooman, Washington; farmer, assistant secretary United States Department of Agriculture.

Paul H. Moncure, Washington; United States Bureau of Labor Statistics.

J. W. T. Duval, United States Department of Agriculture, Washington.

C. W. Thompson, United States Department of Agriculture, Washington; Office of Markets and Rural Organization.

Grosvenor Dawe, 3203 19th St. N. W., Washington; editor and speaker.

George P. Hampton, 36 Bliss Bldg., Washington; editor, Farmers' Open Forum, The National Marketing Association.

Florida

L. C. Williman, Tampa.

C. O. Holmes, Bristol; coöperation and colonization, representing the State of Florida

Georgia

F. J. MERRIAM, 116 East Hunter, Atlanta; publisher, Southwestern Ruralist.

DAN G. HUGHES, Capitol, Atlanta; assistant commissioner of agriculture, Southern Conference for Education and Industry.

Idaho

N. A. JACOBSON; fruit grower, representing the State of Idaho.

HONORE TAMMING; reporter.

G. R. HITT, Boise; State Banking Department.

W. G. SCHOLTZ, Boise; state director of farm markets, representing the State of Idaho.

T. A. MAURITZEN, Bliss; farmer, Bliss Farmers' Grange.

Illinois

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PERCY L. PERRY, 145 S. D. Hall, University of Chicago, Chicago; student.

ALBION W. SMALL, University of Chicago, Chicago; professor of sociology.

WILL A. BUTTERFL, JR., 5729 Cornell Ave., Chicago; publishing, representing Mt. Vernon College, Ohio.

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ALBERT E. GUGE, 1102-15 E. Washington St., Chicago; organizer, secretary-treasurer, Social Service Association.

RALPH ALLEN, Delevan; farmer, Illinois Farmers' Institute.

A. SUHRING, Peoria; manager, Farm Loan department, Dime Savings & Trust Co.

G. G. HAPPING, Havana; farmer.

JOHN WESTERN, 717 Oakton, Evanston; fruit grower.

S. LIPH, 1258 Taylor St., Chicago; teacher.

William Geweke, Des Plaines; fruit gardener, Fruit Gardeners' and Farmers' Association of Cook County, Illinois.

J. C. Jones, Ridge Farm; farmer, Ridge Farm Farmers' Elevator Company.

Richard Pride, Chicago; editor, American Elevator and Grain Trade.

Charles N. Haskins, 3032 Ellis (Groveland) Ave., Chicago; lecturer, publisher, salesman, organizer and teacher, The Service Union and The Joy Service.

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Richard E. Moss, 7334 Yale Ave., Chicago; farmer, La Salle Extension University.

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L. L. LOWER, Campus; farmer, Gleaners' Association.

A. C. RICE, Jacksonville; farmer and banker, president Grain Dealers' Association of Illinois.

J. A. HENEBRY, Plainfield; Plainfield Grain Company.

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William A. Barrower, Oakland; farmer, Livestock Shipping Association.

George Weymouth, Spencer; editor, Farm Life.

D. L. Mabbett, Colfax; farmer and feeder, representing the State of Indiana.

Lewis McNutt, Brazil, R. R. No. 2; farmer.

William O'Keefe, Plymouth; farmer, representing the 13th Congressional District of Indiana.

A. A. Gast, Akron; farmer.

Horace G. Miles, Danville; farmer.

H. L. Reed, R. R. No. 6, Logansport; farmer.

Sam B. Woods, Crown Point; farmer.

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T. L. Wheeler, Huntington; editor, The Farmers' Guide.

Iowa

R. A. Pearson, Ames; president of Iowa State College.

Ira P. McVicker, Eagle Grove; farmer, Grain Dealers' Coöperative Association.

W. J. Ray, Colorado; secretary of Farmers' Grain Dealers' Association of Iowa.

John U. Surface, Mason City; farmer, Farmers' Grain Dealers' Association.

I. N. Baughman, Marseilles; agricultural manager.

Alson Secor, Des Moines; editor, Successful Farming.

E. L. Johnson, Waterloo; banker, Leavitt & Johnson Trust Company.

H. J. Hinbregtre, Hull; manager, Farmers' Coöperative Association.

Frank A. Cooley, Fort Dodge; grain commissioner, Lowell Hoit & Company.

A. B. Holbert, Greeley; horse importer and breeder, farmer.

Dan G. Stites, Fort Dodge; banker, Webster County Trust & Savings Bank.

E. T. Meredith, Des Moines; publisher, Successful Farming.

Norris A. Brisco, Iowa State University, Iowa City; professor of economics, and head of Department of Economics, Commerce and Sociology.

D. P. Hogan, Massena; banker, representing the State of Iowa, and also the Rural Credit League.

S. J. Cocklin, Washington; loans and real estate.

Orville Lee, Sac City; representing 60th District of Iowa.

W. H. Arney, Marshalltown; banker and farmer.

J. F. Eisle, Malcom; farmer.

Charles Shade, Rock Rapids; First National Bank.

A. J. Cole; physician, representing 10th District of Iowa.

Kansas

W. C. LANDSON, Salina; editor, National Field, Salina Union, Kansas Division Farmers' Union.

G. D. ESTES, Stafford; grain and stock, Farmers' Grain Dealers' Association of Kansas.

CHESTER A. LEINBACH, Orange; farmer, representing the State of Kansas.

G. W. LAWRENCE, 903 State St., Larned; secretary, Farmers' Coöperative Grain Dealers' Association.

R. J. LINSCOTT, Holton; farmer and banker, representing the State of Kansas.

A. H. PLUMB, Emporia; president, Mutual Banking and Loan Association.

CLYDE W. MILLER, Miller; farming and stock raising, Kansas State Livestock Association.

C. D. RESLER, Chanute; farmer.

W. R. WEBB, Bendena; farming and stock raising, representing Governor Arthur Capper of Kansas.

J. C. BERGNER, Pratt; farmer, representing the State of Kansas, governor appointee.

P. H. MUHAN, Tampa; banker, representing the State of Kansas.

MRS. W. R. WEBB, Bendena; farming and stock raising.

GEORGE E. PUTNAM, 1502 Massachusetts, Lawrence; instructor in economics, University of Kansas.

GEORGE C. TREDICK, Kingman; breeding Holsteins.

M. M. JARDINE, Kansas Experiment Station, Manhattan; dean of agriculture, and director of Kansas Experiment Station, Kansas Agricultural College.

L. W. MOODY, Emporia; Kansas Rural Credit Association.

CHARLES DILLON, Topeka; managing editor, Capper Farm Papers.

Kentucky

F. F. GILMORE, 41 Main St., Louisville; publisher, Kentucky farming.

ERBIE LEE HARRISON, State University, 287 S. Lime St., Lexington; president, Farmers' Union, Kentucky Division.

J. W. NEWMAN, State Capitol, Frankfort; commissioner of agriculture.

Michigan

JAMES N. McBRIDE, E. Lansing; farmer, Michigan State Market Director.

R. G. HOOPINGARNER, Crystal Falls; county agriculturist, Iron County.

N. W. STUART, Clarksville; farmer, representing the State of Michigan.

A. B. GRAHAM, Adrian; general farming, representing Michigan.

W. A. HEDRICK, East Lansing; teacher.

C. J. MONROE, South Huron; farming and banking, State Horticultural Society of Michigan.

W. E. SHELDON, Letchfield; manager of creamery, representing Michigan.

JOHN I. GIBSON, 447 Wealthy, Grand Rapids; secretary, Western Michigan Development Bureau; representing Michigan.

EBAN MUMFORD, 408 Genesee, Lansing; state leader of county agricultural agent work, Michigan Agricutlural College.

GRANT H. SLOCUM, Gleaner Temple, Detroit; publisher and secretary, The Gleaners.

G. E. PRATER, JR., Paw Paw; manager, Farmers' Association, representing State of Michigan.

M. HARTMAN, Grand Rapids; agricultural and industrial agent, Grand Rapids and Indiana Railway.

Maryland

W. H. MANSS, Baltimore; development.

Massachusetts

WARREN DUNHAM FOSTER, Boston; department editor, The Youth's Companion, homestead commissioner.

F. K. LEATHERBEE, North Falmouth; farmer.

WILFRID WHEELER, 136 State House, Boston; secretary, Massachusetts State Board of Agriculture, representing the State of Massachusetts.

KENYON L. BUTTERFIELD, Amherst; agricultural education, representing the State of Massachusetts, and Massachusetts Agricultural College.

ALEXANDER E. CANCE, Massachusetts Agricultural College, Amherst; instructor, representing the State of Massachusetts.

Minnesota

J. C. Caldwell, Lakefield; banker, representing Minnesota.

H. E. Emerson, St. Paul; chief grain inspector, representing State of Minnesota.

H. J. Farmer, Airlie; farmer, State Farmers' Grain Dealers' Association.

L. J. Bricker, St. Paul; general freight agent, Northern Pacific Railway.

D. E. Willard, 313 Northern Pacific Railway Bldg., St. Paul; development agent.

J. M. Anderson, 209 Pioneer Bldg., St. Paul; president, Equity Coöperative Exchange.

Daniel A. Wallace, 51 E. 10th St., St. Paul; editor, The Farmer.

D. M. Frederickson, Phoenix Bldg., Minneapolis; lands.

E. Dana Durand, University of Minnesota, Minneapolis; professor of agriculture and economics, representing the State of Minnesota, and the University of Minnesota.

James A. Jeffrey, 901 Fidelity Bldg., Duluth; land commissioner.

E. M. Tousley, 3649 Park Avenue, Minneapolis; editor and lecturer on coöperation, Right Relationship League.

Clayton L. Malaise, 518 Pioneer Bldg., St. Paul; farm land investments, John Marshall Company.

T. A. Hoverstad, Soo Building, Minneapolis; agricultural commissioner, Soo Railway.

Grant Van Sant, St. Paul; farm mortgages, Van Sant Company.

Mississippi

James A. Hearn, Hattisburg; agricultural agent, Queen and Crescent Route; Queen and Crescent Route.

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P. M. Jeffords, 1145 Aubert Ave., St. Louis; M. K. & T. Ry.

C. B. Michelson, Frisco Bldg., St. Louis; marketing agent, Frisco lines.

Clarence A. Shamel, St. Joseph; editor, profitable farming.

Walter W. Head, St. Joseph (U. S. A.); banker and farmer, representing Missouri Bankers' Association as chairman of agricultural commission and Interstate Agricultural Congress of St. Joseph, Missouri, as chairman of Executive Committee.

Samuel D. Groner, 403 College Ave., Columbia; teacher, University of Missouri.

Nebraska

J. W. Wilson, Stromsburg; banker and farmer, representing Nebraska.

George B. Wellock, United Farmers' Rural Credit Association.

D. M. Martin, Norris City; farmer, State Farmers' Institute.

C. J. Warner, Waverly, farmer; treasurer, Rural Credit Association of Nebraska.

Lucien Stebbins, North Platte; farmer.

R. V. McGrew, Naponee; president, United Farmers' Rural Credit Association of Nebraska.

Walter G. Silver, 16th and Harnege Sts., Omaha; vice president, City Trust Company.

David Hanna, Wood Lake; ranchman and banker.

Nevada

Fulton H. Sears, Fallon; farmer.

New Hampshire

Mary W. Anderson, 824 S. Halsted St., farmer.

Andrew L. Felker, Concord; farmer, commissioner of agriculture, representing the State of New Hampshire.

New Jersey

Robert D. Kent, 150 Boulevard, Passaic; banker.

New Mexico

B. C. Hernandez, Santa Fe; congressman at large to the 64th Congress, representing New Mexico.

New York

D. G. MELLOR, 51 Broadway, New York; manager, food products department, Wells Fargo Express Company.

SETH J. F. BUSH, 732 Granite Bldg., Rochester; president and general manager, Eastern Fruit and Produce Exchange; horticulturist.

MARC W. COLE, Albion; farmer, representing 25 unincorporated coöperative societies in New York.

G. N. LAUMAN, Cornell University, Ithaca; on staff of Cornell University; representing the State of New York and Cornell University.

T. S. WELSH, 2605 Grand Central Terminal, New York; agriculturist, New York Central lines.

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North Carolina

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North Dakota

FRANK L. MCVEY, University of North Dakota, University; president, University of North Dakota.

CHARLES C. CONNOLLY, 122 W. 7th St., Devils Lake; farmer, representing the State of North Dakota.

FRANK SANFORD, Valley City; farming and stock raising, representing the State of North Dakota.

J. H. WORST, Gardner Hotel, Fargo; president, agricultural college, North Dakota Agricultural College.

JAMES E. BOYLE, University of North Dakota, Grand Forks; professor of economics and political science, University of North Dakota.

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CHARLES AOFEDT, Fordville; real estate dealer, vice president, Farmers' and Merchants' State Bank of Fordville.

Ohio

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F. MYERS, Ashland; manufacture of Myers pumps.

DANIEL HARPSTER, West Caro; farmer.

J. H. HARPSTER, Millersburg; farmer, Grange Holmes Company.

A. F. BELL, Union County, Indiana, College Corner; farmer, representing the State of Indiana.

F. C. JOHNSON, Springfield; manufacturer, American Seeding Machine Company.

J. T. FALCONER, College of Agriculture, Columbus; instructor.

PAUL C. VOGT, Ohio State University, Columbus; professor of rural economics.

ARTHUR EMERY, 605 W. Central Ave., Toledo; statistician and merchandizer.

E. S. TODD, 216 E. Church St., Oxford; professor of economics, Miami University.

L. B. DUNHAM, Cleveland Chamber of Commerce, Cleveland.

MYRON T. HERRICK, Cleveland; banker, former U. S. ambassador to France.

Oklahoma

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GIFFORD PINCHOT, Milford, Pike County; forester.

Rhode Island

H. W. TINKHAM, Warren; farmer.

HOWARD EDWARDS, Kingston; president, Rhode Isand State College.

JOHN S. MURDOCK, Providence; lawyer.

South Dakota

Lewis Kilker, Britton; farmer, Farmers' Coöperative Grain Company.

C. L. Datson, Sioux Falls; publisher, South Dakota Farmer.

Isaac Lincoln, Aberdeen; farmer, representing South Dakota.

Charles A. Johnson, Fairfax; banker and farmer.

George W. Fischer, Redfield; secretary, The North West Land & Home Bankers' Union.

Tennessee

A. J. Morgan, Knoxville; dean, agricultural experiment station.

J. H. S. Merone, Nashville; treasurer, Nashville, Chattanooga & St. Louis Ry.; Nashville, Chattanooga & St. Louis Ry.

L. P. Bellah, Nashville; general agent, Nashville, Chattanooga & St. Louis Ry.

William A. Schoenfeld, University of Tennessee, Knoxville; specialist in marketing and rural organizing, University of Tennessee, and United States Department of Agriculture.

Texas

Walter G. Verhalen, Marshall; fruit grower, Standard Orchard Company.

E. B. Spiller, P. O. Box 3717, Fort Worth; secretary and general manager, Cattle Raisers' Association of Texas.

Lindley M. Keasbey, 43rd and Duval Sts., Austin; professor, University of Texas.

J. E. Farnsworth, Dallas; vice president, Southwestern Telegraph & Telephone Company.

Nat Wetzel, 606 Frances Ave., Houston.

Fred W. Davis, 1200 Blanco, Austin; commissioner of agriculture, warehousing and marketing of Texts products.

Clarence Ousley, College Station; director of extension, Agricultural and Mechanical College of Texas.

Joseph E. Edmondson, Fort Worth; organizer, Farmers' Union of Texas.

James E. Ferguson, Austin; governor of Texas, farmer, banker.

Church Bartlet, Marlin.

H. C. Poe.

B. Cummings.

C. C. McDonald.

F. H. Thaman, Alta Loma; land development, Galveston County Business League.

Vermont

J. B. Wilbur, Manchester; farmer.

Virginia

L. H. Barger, Shawsville; farmer, representing the State of Virginia.

G. W. Konier, Richmond; commissioner of agriculture.

Washington

Clark G. Black, Pomeroy; grain farmer, representing the State of Washington.

West Virginia

Herbert Quick, Berkeley Springs, West Virginia; farmer, writer, The Curtis Publications.

C. A. Pierce, Kindswood; fruit grower, West Virginia State Department of Agriculture.

H. W. Williams, State Department of Agriculture, Charleston; commissioner of agriculture.

John Lee Coulter, Morgantown; dean of College of Agricutlure, representing the State of West Virginia.

Wisconsin

M. S. Dudgeon, Madison; librarian, Wisconsin Library Commission.

W. L. Ames, Oregon; farmer, Farmers' National Congress.

B. W. Utman, Hudson; business and farming.

H. E. Miles, Racine; National Association of Manufacturers.

J. F. Dixon, Kilbourn; general merchant.

Alfred F. Schmidt, North Crandon; farmer, North Crandon, Wisconsin, Grange No. 61.

HENRY KRUMREY, (Senator), Plymouth; farmer, president, Sheboygan County Cheese Producers' Federation.

G. A. SCHULTZ, Adell; farmer, The Sheboygan County Cheese Producers' Federation.

GUS. BRICKBAUER, Elkhart; farmer, The Sheboygan County Cheese Producers' Federation.

R. B. MELVIN, Glenbeulah; farmer, The Sheboygan County Cheese Producers' Federation.

GEORGE B. ROBERTSON, Marinette, Farmers' Saving & Trust Company.

EDWARD A. FITZPATRICK, 610 Leonard St., Madison; secretary for the promotion of training for public service.

J. W. HICKS, Prentice; lawyer, Wisconsin Potato Growers' Association.

H. MULBERGER, Watertown; vice president, Bank of Watertown, Wisconsin.

J. B. MCCREADY, Plymouth; cheese salesman, The Sheboygan County Cheese Producers' Federation.

B. H. HIBBARD, 2235 Hollister, Madison; agricultural economics, University of Wisconsin.

CHARLES MCCARTHY, Legislative Reference Library, Madison.

JOHN R. COMMONS, University of Wisconsin, Madison.

ELLIS MONROE, 644 Frances Street, Madison; student.

CHARLES W. HOLMAN, Madison; secretary, The National Conference on Marketing and Farm Credits.

R. M. RUTLEDGE, University of Wisconsin, Madison; assistant in agricultural economics, University of Wisconsin.

J. R. WHEELER, Columbus; banker, Agricultural Commission of American Bankers' Association.

I. M. WRIGHT, Waukesha; farmer.

Wyoming

HENRY A. KNIGHT, Laramie; dean of agricultural college; director, experiment station, University of Wyoming.

JOHN B. KENDRICK, Cheyenne; governor.

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